هيكل المعلومات

Austria	Sch22	Indonesia	Rp3100	Portugal	Esc200
Bahrain	Din0.650	Israel	Shk3.50	S.Arabia	Rls6.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr8.00
Egypt	E£2.25	Lebanon	SL125.00	Switzerland	SFr2.20
Finland	Fmk7.00	Luxembourg	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rln4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Netherlands	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr8.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,388 Friday November 13 1987 D 8523 A

Europe: wise men return from a pilgrimage, Page 2

World News

Iranians mobilise for fresh offensive

Iran indicated it was mobilising troops for a fresh offensive against Iraq and that it had little faith in international efforts to end the Gulf war.

Meanwhile revolutionary guards taunted the US for failing to react when a ship sailing behind an American convoy was attacked in the Gulf on Wednesday. **Iran attacks Arab leaders, Page 7; Arms embargo, Page 6**

Shell threatens Brazil

The Royal Dutch Shell Group threatened to pull out of Brazil if a controversial proposal putting distribution of petroleum products solely in the hands of government companies became law.

Home heating charter

Europeans thinking about moving to a new home would have the right to information about how much it could cost to heat under a new proposal from the EC Commission.

Euro-MPs 'watched'

Belgium admitted that members of the Belgian armed forces information service spied on a meeting of ecologist Euro-MPs.

Libyans expelled

Switzerland expelled three Libyans - including one with a diplomatic passport - after receiving information they were linked to a plot to assassinate Libyan dissidents and other foreigners in Switzerland.

Ariane launch delayed

The launch of two telecommunications satellites on an Ariane-3 rocket, scheduled for December, was postponed until February.

Arms shipment halted

China abandoned an arms shipment to communist guerrillas in the Philippines after representations by Manila, a Philippines security official said.

More Dhaka violence

The Bangladesh Government ordered police to shoot rioters on sight after anti-government demonstrations in which two policemen and two protestors were killed in Dhaka. **Protest fails, Page 7**

Polish prices ceiling

Prices of consumer goods and services in Poland next year will rise by "not more than 40 per cent," Deputy Prime Minister Zdzislaw Sadowski said. **Page 2**

Tiger landmine blast

Tamil Tiger guerrillas set off a landmine under a bus, killing 25 people hours before the Sri Lankan Parliament granted the Tamil minority limited autonomy in one third of the country. **Autonomy passed, Page 7**

150,000 AIDS cases

The World Health Organisation raised its estimate of worldwide AIDS cases by 50 per cent to 150,000.

Frankfurt opera arson

A 26-year-old refugee admitted starting a fire which partly destroyed Frankfurt's opera house and caused an estimated DM100m ($60m) of damage - to draw attention to his homeless plight. **Page 3**

French prison riot

Some 400 prisoners rioted at the Saint-Maur jail in Chateauroux, central France, taking 10 hostages.

Snowstorm kills 18

A sudden snowstorm in southern Tibet killed 18 people and 8,000 head of livestock.

Embarrassing silence

Convicted drunk-driving offenders will be publicly shamed by a new Scottish TV weekly programme which plans to list their names on the screen in silence.

Business Summary

Ford to buy back $2bn more shares

FORD, second-largest US motor manufacturer, is to buy back a further $2bn of its shares, bringing to $4.5bn total stock repurchases authorised during the period of record profitability Ford is currently enjoying. **Page 27**

HONEYWELL BULL, multinational information systems joint venture, is cutting 1,600 jobs, about 14 per cent of its US workforce, in an effort to improve efficiency. **Page 27**

WALL STREET: The Dow Jones industrial average closed up 61.01 at 1,960.21. **Page 48**

LONDON: Equities extended their strong gains as the dollar steadied and a clutch of strong corporate results reinforced confidence. FT-SE 100 index closed 63.2 higher at 1,702.5 and the FT Ordinary index rose 38.3 to 1,328.8. **Details Page 44**

TOKYO: Overnight rises in London and New York prompted a sharp rally in equities, with Nikkei average closing 509.74 higher at 21,546.50. **Page 48**

PARIS advanced immediately after the release of US trade data for September and blue chips forged ahead, recovering from sharp falls at the start of the week. The CAC index fell 7.8 to 284.5 and did not reflect the late, sharp upswing. **Page 48**

WALT DISNEY, US entertainment and leisure group, maintained its powerful momentum in the three months to September with a 67 per cent increase in net income on a 21 per cent advance in sales revenues, with earnings at $135.8m, or 98 cents a share. **Page 27**

PHARMACIA, Swedish biotechnology and pharmaceuticals group, reported a 3 per cent increase in profits (after financial items) to SKr639.3m ($105.6m). **Page 27**

OEMV, state-run Austrian oil and petrochemical group, will go ahead with the sale of its shares, but has decided to reduce the offering from 600,000 shares, or 25 per cent of share capital, to 300,000, or 15 per cent. **Page 28**

VIAG, West German energy, aluminium and chemicals group in which the government plans to sell more shares next year, said net profits in the first nine months totalled DM120m ($70m). **Page 28**

YAMAHA, Japanese musical instrument maker, boosted pre-tax profits by 21.5 per cent in the six months to September to reach Y12.04bn ($89.1m), although sales edged up just 1.5 per cent to Y203.9bn. **Page 27**

DAINIPPON Ink and Chemicals, Japanese printing materials and resins group, unveiled a 12.6 per cent gain in pre-tax profits to Y6.43bn ($47.7m) for the first-half to September. **Page 29**

GUILLEVIN International has become the third-largest electrical equipment wholesaler in Canada, with its acquisition of a similar distribution business in Canada from Steetley, of Rugby, England, for C$64m (US$48.6m). **Page 27**

LAFARGE COPPEE, French building materials maker, is pulling out of the £250m ($425m) annual UK plasterboard market. **Page 16**

PERU signed a $27m debt deal with Czechoslovakia, linking debt repayments to exports - its third such deal with East bloc countries this year. **Page 5**

FURUKAWA Electric, Japanese cable and wire making company, reported a 97 per cent increase in interim pre-tax profits to Y7.1bn ($52.6m). **Page 29**

COSMO OIL, Japanese oil wholesaling company formed last year, reported an 88 per cent increase in interim pre-tax profits to Y12.8bn ($94.8m), attributed to rationalisation effects. **Page 29**

WESTERN MINING, large Australian gold and mineral group, forecast a first-half operating profit well in excess of the full-year result of A$83.5m (US$57m) for 1986-87. **Page 29**

Smart set feast on chicken legs and Mr Van Gogh

BY ANTONY THORNCROFT IN NEW YORK

FIRST there was a gasp; then a buzz; and finally came the round of applause. Like a first night audience the packed saleroom at Sotheby's in New York on Wednesday night treated the sale of Van Gogh's Irises for a record $53.9m as a piece of theatre.

Everything conspired towards the dramatic. The main auction room at Sotheby's still newish York Avenue premises is surrounded by boxes, where privileged spectators can gaze down on the excitement while toying with a chicken leg or a glass of champagne.

New Yorkers, too, regard the smart sales as major social occasions where they can meet their friends, watch vast sums of money change hands painlessly, rub shoulders with that glamorous mystery, art, and sometimes witness more intense conflicts of will than you expect these days from the Broadway stage - and all for nothing.

Wednesday's auction was award-winning stuff. After the collapse of the world's stock markets, what price art? Could Irises, single-handed, reassure anxious owners of Impressionist pictures, the main trading currency of the international antiques trade, that all was well? After all, with Sotheby's encouragement, such pictures had come to be seen by many as an investment not very different from coffee f[illegible]s or IBM stock.

The opening moves in the action were not encouraging. Irises - being sold by Mr John Whitney Payson, whose mother bought the painting in 1947 for $84,000 - was Lot 25. Before it was reached Mr John Marion, the auctioneer, had trouble coaxing bids from the packed throng.

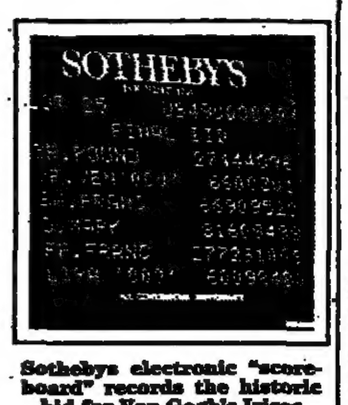
Mr Marion is regarded as the perennial star of the show, never happier than when bouncing another $50,000 bid from a doubtful punter. His only competition comes from the gravel-voiced attendants whose job it is to spy bids at the back of the hall and who roar out any success.

But on Wednesday Mr Marion seemed to be working with an audience plucked from the first house on Monday at the Bexhill Hippodrome. Fortunately the row of Sotheby's girls, all Grace Kelly lookalikes apart from those modelled on the young Jackie Kennedy, manning the telephones for distant bidders were doing better.

Even so Mr Marion had to make that curious throat clearance which can just be recognised as "pass" or "unsold" on a few occasions, and other pictures found new homes near the lower reaches of their pre-sale estimates.

But in three minutes Irises transformed the evening, market sentiment, and Sotheby's for-

Continued on Page 26



Sothebys electronic "scoreboard" records the historic bid for Van Gogh's Irises

US Congress resists budget deal pressure from White House

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

US CONGRESSIONAL and White House negotiators left yesterday's session of talks on a package to reduce the US budget deficit having failed to reach agreement but planning to resume negotiations this morning.

This outcome finished a day of intense political manoeuvring on the issue after the White House had during the morning stressed its belief that the talks were close to a conclusion.

Mr Marlin Fitzwater, White House spokesman, while noting that he "could not predict the outcome" of the talks, said "we do think we are close" to a deal. The statement was seen as adding to the pressure on the negotiators for a speedy agreement.

However, within hours of Mr Fitzwater's comments, Representative Thomas Foley, the House Democratic leader, warned: "I don't expect any early resolution of the talks. That means I don't expect any today, and (the talks) may take us into next week". Further, while several senior Congressmen, including Mr Jim Wright, Democratic Speaker of the House, also expressed optimism for an early resolution of the matter, senior officials in Congress said that "deep differences" over the package remained between Capitol Hill and the White House.

Both investors and industrial trading partners of the US want to see early agreement on a package demonstrating Washington's determination to take firm action to reduce the deficit. Without cuts it is feared the deficit could rise towards $200bn in 1989 from $148bn in fiscal 1987 and $180bn in 1988.

After yesterday's session of talks, Rep Pat Williams, a Democrat, denied that the talks had collapsed. "There is a little reticence down at the White House about what was in the agreement yesterday particularly on defence," he said. Asked whether this would tend to upset the balance of the overall agreement, he said "once you pull out one of the major building blocks, and defence is one of them, the whole house begins to come down".

Moments later, however, Mr Howard Baker, White House Chief of Staff, denied that a change in position by President Ronald Reagan had accounted for the failure to agree. "Anybody who says President Reagan pulled the plug must have some other motives," he said.

The flurry of conflicting signals on the prospects for a bud-

Continued on Page 26

Disagreement at arms talks may delay summit

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT IN LONDON

DISAGREEMENTS between the US and the Soviet Union over the measures to verify an intermediate-range nuclear forces (INF) pact, if not solved quickly, could delay the planned Washington summit on December 7 between President Reagan and Mr Mikhail Gorbachev.

Although officials from both sides stressed that there was still enough time for a compromise to be reached and an INF Treaty to be signed at the summit, they added that the issue at stake was an important one which had to be settled before an agreement was concluded.

The White House announced on Thursday that Soviet leader Mr Mikhail Gorbachev, the Soviet leader, will visit the US from December 7-10, ending speculation about the length of his summit meeting with President Reagan.

Mr Marlin Fitzwater, White House spokesman, said yesterday that Mr Gorbachev and President Reagan will have working sessions on December 8, 9 and 10.

Mr Max Kampelman and Mr Yuli Vorontsov, the chief US and Soviet negotiators, are due to meet in Geneva next week in an effort to sort out the complicated verification problems and other issues still blocking an agreement. If they do not succeed in accelerating the negotiations, another meeting is on the cards between Mr George Shultz and Mr Eduard Shevardnadze, the US and Soviet Foreign Ministers, before the summit takes place.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, has blamed the US for the blockage in the negotiations. He claimed the US had introduced eleventh-hour proposals under which the INF inspection regime would be extended to intercontinental ballistic missiles (ICBMs). However, the US maintained that these proposals were tabled three months ago as part of a verification package and could not, therefore, be considered a negotiating device to extract last-minute concessions from Moscow.

US officials said their proposal to submit ICBMs as well as INF missiles to verification by the other side was based on the concern that Soviet plants manufacturing the mobile SS-25 long-range strategic missiles could be converted easily to making the medium-range SS-20 missiles. The latter would be abolished under an INF agreement.

As far as Moscow is concerned, verification by satellite and other "national technical means" would be sufficient to meet US concern about the conversion of missile production facilities. "We will naturally be ready to talk about inspection procedures relating to ICBMs, but during the next stage (of the arms control talks) when a treaty on cutting offensive strategic weaponry is under discussion," Mr Gerasimov told the Communist Party newspaper Pravda.

Further delays in the negotiations, according to the Americans, have been caused by the failure of the Soviet side to furnish the detailed data on missile numbers, deployment and production facilities which the US and the Soviet Union agreed to exchange at the recent foreign ministers' meeting in Washington.

Swiss bank buys into French financial services

By Paul Betts in Paris and John Wicks in Zurich

SWISS BANK Corporation (SBC) has acquired control of Banque Stern, a French investment bank, and Ducatel-Duval, a French stockbroking firm. It becomes the first large Swiss bank to establish a presence in France.

The two acquisitions are part of a strategic plan on the part of the SBC to build up operations in France. Since giving up a minority stake in Credit Commercial de France in the wake of its nationalisation in the early 1980s, SBC has had only an office in Paris and a subsidiary in Monte Carlo, Banque de Placements et de Credit.

Swiss banks have in the past hesitated to invest in France. Their reluctance has reflected concern over Switzerland's traditional image in France as a nearby haven for undeclared deposits and savings.

The move reflects the growing importance of Paris as an international financial market, as well as a significant change in French attitudes towards banking and finance.

SBC will initially buy 51 per cent of Banque Stern, managed by former chairman of the now privatised Suez financial group, Mr Jean Peyrelevade. The stake will rise to 80 per cent.

Stern is a small but active investment bank employing 75 people and with FFr 4bn ($395m) in assets.

The Swiss bank will also acquire 30 per cent of Ducatel-Duval at the beginning of next year. Its stake is expected to rise to 49 per cent the following year and to 80 per cent in 1990 in line with the requirements of the new stock market legislation now passing through the French parliament. Ducatel-Duval employs 73 people and has assets of FFr 1.4bn.

Paris has hitherto been one of the few big financial centres in which SBC has not been represented on the stock exchange. Mr Walter Frehner, president of the bank's executive board, yesterday declined to disclose the purchase price but said it was "quite favourable."

The two acquisitions, coupled with Banque de Placements et de Credit, will give SBC total consolidated assets of FFr 7bn on the French market and FFr 1bn of capital.

The Swiss bank intends to focus on investment banking in France. It sees its new French stockbroking interests tying in with its control of Savory Milln, the UK stockbroker.

SBC is the latest of a series of large French and international banks to announce its intention to buy control of a French stockbroker. SG Warburg and JP Morgan both announced similar plans last week.

World markets gain strength

BY SIMON HOLBERTON IN LONDON AND RODERICK ORAM IN NEW YORK

WORLD STOCK markets surged again yesterday as investor confidence grew and the dollar recovered some of its losses in recent days.

Share prices on European and Scandinavian bourses improved for the second day in succession, and the Tokyo market staged a sharp recovery. In London, improved confidence on the outlook for shares boosted the FT-SE 100 share index 63.2 points to close at 1,702.5.

In New York, the Dow Jones Industrial Average was up nearly 70 points by early afternoon before closing up 61.01 at 1,960.21.

Investors have also been encouraged by recent signs that markets around the world were, in the words of one analyst, "gaining each day a touch more stability and confidence".

The dollar also gained yesterday, after the release of better-than-expected US merchandising trade figures. In European trading, the dollar rose more than two pfennigs against the D-Mark and more than one yen against the Japanese currency.

But analysts said cur-

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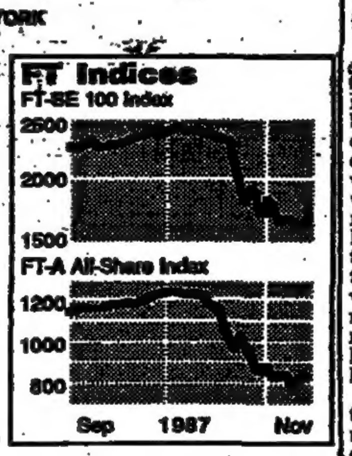
Lombard, Page 25; markets, Section II



DAT system fails to go fast forward in Japanese market

BY CARLA RAPOPORT IN TOKYO AND DAVID THOMAS IN LONDON

DIGITAL audio tape, the revolutionary audio product from Japan, has proved to be a major disappointment in its home market.

Since DAT's highly controversial launch last February, only 15,000 units have been sold in Japan, about half the industry's sales estimates for 1987.

Meanwhile Sony has postponed the UK launch of the digital audio tape system which it had planned for October. The rest of the Japanese industry has not set a European launch date for the system.

A Hitachi executive, speaking about the Japanese market, said yesterday: "The reception has been disappointing." A Toshiba official said: "It's a bad situation. Only a few companies are active in this market now. The rest are not bothering."

Japanese industry officials say that DAT's flop in the market is mainly because of its high price and the lack of pre-recorded music to play on the new audio product.

Nonetheless, its slow start has come as a shock. The Japanese love of gadgetry has normally meant that sales in the first and most expensive year of a product's life are high enough to justify continued support from manufacturers and retailers.

Japan's launch of DAT players earlier this year angered the world music business. It claimed that the product, because of its ability to make perfect copies of copyrighted material, would destroy their industry.

The Japanese, who pioneered the product, argued that DAT would ultimately widen the market for the music industry because of its many advantages over conventional audio tape.

Some manufacturers, notably Sony, believe that DAT sales will pick up later this year when DAT portable players come on to the market.

Sony claims to have 60 per cent of the DAT market in Japan and remains optimistic about the product's future prospects.

However, it is reluctant to say why it has postponed the launch of the system in the UK. It is understood that it was a decision taken by the company's head office in Japan despite the UK subsidiary's willingness to start selling the players.

Sony in Japan is believed to be concerned about the political sensitivity of the new system and about whether the market conditions were right to launch it in the UK.

The company's intentions are no longer clear. It is still possible that it might launch the system in Britain before Christmas but it looks increasingly likely that it will hold off until the spring.

Sony has recently put the players on sale in West Germany, the other European market selected for the launch. It says it is too early to say how well sales are going there.

DAT, which is based on video recorder technology, uses a much smaller cassette than conventional audio tape. Its sound quality matches that of compact discs (CDs), but DAT can also erase and record music. Because of this ability, the music industry claimed that consumers would buy DAT players to copy borrowed or rented CDs.

As a result, the industry has proposed a system which would block the DAT players' ability to record music. After international consultations on the issue, the Japanese industry rejected this system.

Instead, the Japanese have made their machines so that direct recording of CDs by DAT players - so-called digital to digital recording - is impossible. Japanese machines can be used to copy CDs, but some of the quality is lost.

Background, Page 8

CONTENTS

CANADA'S POLITICAL PUNDITS MAY SOON OPEN THE BETTING

Prime Minister Brian Mulroney has a lot on his mind beside fixing a general election date, Page 26

Poland sets limit on price rises next year

By Christopher Bobinski in Warsaw

PRICES OF consumer goods and services in Poland next year will rise by "not more than 40 per cent," according to Mr Zdzislaw Sadowski, a Deputy Premier and chairman of the government planning commission.

The price increases will be balanced by a growth in incomes so that average living standards should not fall, he told a seminar for Western journalists.

The Government's aim is to bring the price of fuel and energy into line with world levels, and to cut subsidies throughout the economy which at present take up one third of budget expenditure. The changes are part of a three-year economic reform programme which the Government is putting to the population for approval in a referendum on November 29.

Inflation this year is running at a rate of 25 per cent.

Mr Sadowski's statement is the first to put a concrete figure on the scale of next year's price increases, but the population has already started buying up durable goods and food items such as sugar in anticipation of the move.

The free market rate of the US dollar has also risen from around Zl 1,000 to Zl 1,200 over the past week. This time last year the black market was exchanging the dollar at a rate of Zl 820.

Fear of heavy price increases could incline people to vote "no" to the question in the referendum on economic reform. If this were the case, Mr Sadowski said, Poland's difficulties would drag on even longer than forecast.

Mr Bazyli Samojlik, the Finance Minister who was also present at the seminar, said that a "no" vote in the referendum would complicate the talks on stand-by credits between the International Monetary Fund and Poland, whose external debt now stands at $36bn.

William Dawkins and Diana Smith on the latest measures to cut EC steel industry overcapacity

Three Wise Men return from a hard pilgrimage

DESPAIR and frustration are growing among diplomats in Brussels that the European Commission's latest attempt to identify major steel capacity cuts will come to nothing.

A panel of "Three Wise Men" appointed last month has just completed a tour of steel companies, and their public owners, looking for promises to close some 30m tonnes of the EC current total output potential of some 140m tonnes. Commission officials and national steel experts privately admit their report will do little to help

The Three Wise Men's pilgrimage results from the failure of both Eurofer, the "club" of big integrated steelmakers, and the Commission itself to pin down enough closures to bring capacity in line with demand. Their mission is seen as the Commission's admission that it lacks the moral authority to persuade governments to sacrifice steel jobs.

The panel's likely failure to solve the long deadlock between governments, steel companies and the Commission over where and when the axe will fall is likely to force the Commission to carry out its threat to scrap production quotas at the end of the year. These govern 60 per cent of EC steel output, and have artificially propped up prices since 1980.

At worst, this could cause a price and subsidy war, with governments tempted to support weaker companies at the expense of stronger but unassisted private producers.

If the Three Wise Men do help identify enough closures to satisfy the Commission, Brussels proposes to wind down quotas over three years, during which it would discourage overproduction by charging output levies, and encourage closures by buying unused quotas at favourable rates and providing restructuring aid for the areas hit.

Yet steel prices have been rising enough recently for more companies and governments to contemplate the immediate ending of quotas. The hard core includes the more efficient producers in the UK, the Netherlands and the independents of the Bresciani region of Italy, which feel in good shape to survive the free market. Stacked against them are the West Germans and the French, who feel the best way to get rid of overcapacity is to continue managing the market from Brussels.

So why is the panel unlikely to crack the problem? The barriers to getting member states to promise adequate steel cuts are fiendishly complex. The main one is the special pleading of countries most likely to bear the brunt. They have cut 31m tonnes of surplus capacity since the turn of the decade, but that was mainly smaller mills turning out lighter products. The next round of cuts will be a lot harder - big integrated mills already in unemployment blackspots.

The British Government has promised not to reconsider the future of Ravenscraig - an obvious target - until next August. West Germany is refusing to give up any of its six hot strip mills, on the grounds they are among the EC's most efficient, a position further complicated by the age-old rivalry between Germany's two biggest producers, Thyssen and Kloeckner. On top of that, the Italian and French Governments could suffer political crises if there were major plant closures at Italsider and Usinor-Sacilor.

All this conspires against EC industry ministers being able to take a decisive view by the end of year deadline, let alone when they meet on December 8 to discuss the panel's findings.

One clue to a possible way forward might be the experience of another traditional industry, man-made fibres. During the first half of this decade, Europe's nine biggest textiles makers succeeded in cutting their capacity by 20 per cent without EC or government help.

They did it through complex accords between the companies and their European industry association, CIRF. The body acted as a kind of confidential umpire, with a mandate to ensure that an overall target was set, within which capacity was juggled between companies according to efficiency and ability to specialise in different products.

This is just what Eurofer should be able to do for its 22 steel company members. So far, it has limited itself to hiring consultants to draw up shopping lists of closures, which fell far short of satisfying the Commission. A charitable view is that Eurofer has failed to tackle overcapacity because it faces a tougher and more political problem than was the case with CIRF.

The textile industry did not have to contend with closing down the main job providers in depressed communities, as the steel industry would with its next round of capacity cuts.

A tempting solution might be for governments to beef up Eurofer's efforts - as Japan's Ministry of International Trade and Industry contributed to restructuring its shipbuilding and steel industries - by acting as adviser, and purchaser of excess capacity. That, however, assumes the kind of Japanese-style consensus the EC steel industry lacks.

EC deal paves way for Siderurgia rationalisation

TWO THOUSAND Portuguese steelworkers are to be laid off under an agreement between Portugal and the European Community.

Under the agreement, the EC will provide Ecu8m (£5.5m) to pay compensation and other allowances to the workers, who represent about a third of the labour force of Siderurgia Nacional, the debt-ridden national steel mills.

The agreement with the EC follows a similar deal in Spain, where Ecu89m were granted to cover compensation for 22,000 workers.

Siderurgia Nacional has been in trouble since its 1975 nationalisation. First, at a time when Portuguese industry was torn by politically-motivated agitation and heading for a slump, excess manpower was hired in 1975 at the steelworks in Seixal, then a militant area dominated by the newly-powerful Communist Party.

With the excuse of creating full employment, the Communists, who then called the tune in Portugal, packed key industries with clientele who kept up steady, economically-damaging industrial action for the next few years.

Subsequently governments, in an expensive drive to build up large-scale industries that could replace imports - despite meagre local mineral resources and finances - devised an ambitious development plan for the Siderurgia. Capacity would leap from 600,000 tonnes per annum at two mills to 1m tonnes, meeting more of national demand - then 1.3m tonnes of flat and rolled steel products and forecast to soar to 2m tonnes by 1990.

A new blast furnace and other equipment were ordered from Italimpianti, the Italian capital goods manufacturers, in 1981. Portuguese enterprises were supposed to share in the supply of equipment and services, thus increasing their output and engineering know-how.

A further steel mill and iron ore pelletising plants were planned for Sines, far south of Seixal, then Portugal's dream of an industrial mega-complex of the future with a giant oil refinery and petrochemical units and room for dozens of other major industries from steel to car assembly.

At prices of 1979, the year the steel plan was announced, investment in steel expansion was to be Es36bn ($250m).

Eight years later, the plan is for retraction and rationalisation, not expansion. Demand slackened off in the early 1980s, and by 1986 was down to 80 per cent of 1978 levels.

Post-1982 governments were more realistic about Portugal's industrial vocation and capacity. They were more determined not to waste public money on ruinous attempts to put Portugal on the same level as northern European heavily industrialised nations, which had anyway begun to seriously rethink their own industrial scale.

From 1975 to 1984 Siderurgia lost Es16bn. In 1985, it lost Es5bn. Consumption of steel in Portugal is about a quarter of EC averages. Siderurgia will try - with the help of the EC's steel rationalisation plan - to modernise methods, output, management and infrastructures to make maximum use of realistically-scaled capacity.

A recent pickup in construction and public works hints at future rises in steel consumption, but, as a two-year-old member of the EC, Portugal has to adapt production and imports or exports of steel to the attempts at rationalisation of the European Iron and Steel Community.

The Ecu8m given by the EC comes in the form of direct grants. It will provide payments to laid-off workers, support for steelworkers under 45 who can find other jobs on a labour market which is expanding for the first time in five years, and financial help for steelworkers to relocate if they choose to take up jobs elsewhere in Portugal.

The authorities hope reduction of manpower and modernisation of production, as well as use of part of the new equipment acquired under the original steel plan, can make Portuguese steel production more competitive.

The old plan to build a steel mill at Sines has been shelved, while the refinery and petrochemical complex (which never built its full quota of petrochemical units and is gradually being wound down by the government of Mr Cavaco Silva) are working well below capacity.

Mega-plans are a thing of the past that cost the Portuguese state hundreds of millions of dollars in foreign and domestic debt, and were major factors in an accumulated public debt of over Es3,000bn. Privatisation is the leitmotif of the present government - but before Siderurgia Nacional can be privatised, according to the Prime Minister, it must put its financial and production house in order.

Romanians have their power ration cut

By Judy Dempsey, recently in Bucharest

THE ROMANIAN authorities have announced stringent new measures on the use of gas and electricity as part of a drive to save energy and keep sections of the country's industry supplied over the winter months.

The regulations, which were issued by the State Council, come into force immediately. They will involve the reduction in "natural gas and the electric power consumption of non-productive activities by at least 30 per cent."

The measures are particularly aimed at reducing energy supplies to the already hard-pressed domestic consumer. The average Romanian household will now be allowed 35kW of energy per month instead of the existing 47kW rate. Those who exceed the norms will have their supplies cut off by inspectors who regularly monitor the consumption of energy.

Ministries, trade organisations, institutes and other public bodies will also have their supplies cut by 30 per cent.

The country was self-sufficient in energy during the late 1960s and early 1970s, but lack of investments to modernise an industry which consumes high amounts of energy has led to repeated energy shortages.

The Romanian authorities have recently requested an extra 4m tons of Soviet oil. The Soviet Union already sells between 4m and 5m tons of gas and other energy a year to Romania.

● Mr Nicolae Ceausescu, the Romanian President and Communist Party leader, began a two-day visit to Yugoslavia yesterday. Relations between both countries are far from cordial.

One of the main issues on the agenda includes the Iron Gates power station on the Danube which supplies hydro-electric power to Yugoslavia and Romania.

Under an international convention, the Romanians agreed to generate only 4m kilowatt hours a year. This year, the Romanians have already generated more than 14m kilowatt hours. The Yugoslav media recently reported that the repeated excessive use of water by the Romanians has led to reductions in the water levels at the Yugoslav thermal power stations at Kostolac and Nikola Tesla.

Transport minister quits Yugoslav Government

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA'S Secretary for Transport, Mr Mustafa Pljakic, resigned yesterday, adding to pressure on the Government over the Agrokomerc scandal and the country's economic problems.

Mr Pljakjic, an ethnic Albanian, formerly held important political posts in the troubled province of Kosovo. He was named by a committee of the Communist Party last month as one of those responsible for the difficult situation in the province, especially for failing to stop the rise of Albanian nationalism and irredentism.

His departure may speed up a rumoured reshuffle of the federal government of Mr Branko Mikulic. There have been demands for members to resign in connection with the Agrokomerc financial scandal. There has also been sharp criticism of the Government's inability to stop runaway inflation of some 150 per cent, or to halt the steep fall of the dinar.

The fate of the Government will possibly be decided today when Parliament votes on its proposed anti-inflation and stabilisation programme. If the programme is not passed Mr Mikulic's administration is likely to fall.

If the Government survives, the most likely decision is a price and wage freeze for between six months and a year, with some prices being rolled back.

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Hungary marks down forint

By Leslie Colitt in Berlin

THE HUNGARIAN forint has been devalued by 5 per cent against Western currencies in order to boost the country's lagging exports to the West, which have created a serious balance of payments problem. Since the beginning of 1986 the forint has been devalued by 25 per cent.

The authorities also announced that a 6 per cent tax rebate paid to Hungarian exporters will cease on January 1. It was introduced in 1980 to compensate exporters of energy-intensive products for the rising price of Soviet oil. However, a finance official said it had become in effect a subsidy for inefficient exporters.

Arsonist fires opera house in Frankfurt

By Andrew Fisher in Frankfurt

FRANKFURT suffered its second tragedy in just over a week in the early hours of yesterday morning, when an arson attack on the city's opera house caused more than DM100m ($33.6m) damage.

Police said the fire was started by a homeless 26-year-old man who had slipped into the building - not to be confused with the renovated neo-classical Alte Oper, now mainly a concert hall - through an open window to find some food.

Last week, the city was shocked by the deaths of two policeman at a night-time demonstration at the airport. This was the first time West German police had been shot dead in a demonstration.

The fire at the opera house, which was built in 1963 and had just been renovated at a cost of DM3.5m, took several hours to control. The damage was to the stage area and evidence of the fire was not visible from outside.

Mr Wolfram Brueck, the mayor of Frankfurt, said that the damage was covered by insurance. Efforts would now be made to spread this season's opera programme around other facilities in the city, including the Alte Oper.

Police said that the arsonist, who came over from East Germany in the early 1980s, wanted to draw attention to his homeless plight by starting the fire.

Balladur refuses to alter French economic policy

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government will not adjust its economic policy in the light of the turbulence in the financial markets, even though it expects negative effects on the country's economy as a result of the crisis.

Mr Edouard Balladur, French Finance Minister, said he would embark "neither on expansion nor on austerity," while recognising that the forecast of 2.2 per cent economic growth contained in his budget for 1988 was now questionable.

But the current policy was obtaining good results, he said, and laying solid bases for the French economy.

The stock market turmoil has forced Mr Balladur to postpone the privatisation of Union des Assurances de Paris, the country's largest insurance company, until the New Year. But the minister said that the setbacks to his privatisation programme would have only minor effects on next year's budget.

Even if the privatisations had to be completely abandoned in 1988, the total budget loss would be of only FFr3.2bn ($320m) already assigned to capital increases for companies remaining in the state sector.

Mr Alain Juppe, Budget Minister, added that the Government was "perfectly convinced that the 1988 budget still holds good in the new context of the stock market crisis."

The Socialist opposition has attacked Mr Balladur's budget on the grounds that his economic premises have now been overtaken by the financial crisis.

Members of the governing majority who support Mr Raymond Barre, rather than Mr Jacques Chirac, the Prime Minister, in next year's presidential elections have also taken the opportunity offered by the financial crisis to distance themselves from Mr Balladur's economic management.

The Finance Minister's relative confidence in France's current economic position was reinforced by the publication yesterday of favourable inflation statistics for October.

French consumer prices rose by 0.2 per cent during the month, leaving a year-on-year inflation rate of 3.1-3.2 per cent, compared with 3.3 per cent in September.

Finance ministry officials pointed out that the French inflation rate was now only 2.2 percentage points higher than West Germany's, compared with a gap of 2.8 percentage points last month. They said the margin was the lowest since 1973.

But Mr Balladur warned that European economic prospects were threatened principally by the possibility of a further fall in the US dollar.

"Is the US aware that the fall of the dollar constitutes for Europe a veritable economic menace? A prolonged decline of the dollar would be contrary to the interests of Europe and of the Western world," Mr Balladur said.

UAP privatisation postponed, Page 32

Italian business warns of crisis in economy

Lucchini: coalition plea

BY JOHN WYLES IN ROME

ITALIAN BUSINESS leaders yesterday presented a deeply pessimistic view of their country's economic outlook and issued a fervent appeal to the governing parties to settle their political differences today.

At the end of a meeting of the executive of Confindustria, the main representative of Italian industry, Mr Luigi Lucchini, the organisation's president, warned that companies were faced with "a very deep crisis" as a result of recent events in global markets.

In this situation, it was "indispensable" that the governing parties formed a solid coalition, rather than one just based on a policy programme, said Mr Lucchini.

He was speaking on the eve of today's meeting of party leaders which will try to head off a looming political crisis caused by the Liberal Party's threat to withdraw from the coalition. The party, which has only one ministerial portfolio, Defence, is claiming that the revised budget proposals adopted in cabinet on Tuesday breach the coalition's policy agreements.

Confindustria leaders were merciless in their criticism of the proposals yesterday. Mr Cesare Romiti, Fiat's managing director, said they were "absolutely insufficient," while Mr Lucchini complained that "neither in logic nor in numbers do they reflect the seriousness of the situation and the economy's growing difficulties."

The fall in the stocks markets was especially serious for Italy because of the "profound uncertainties" about its political and economic direction, argued Mr Lucchini. There was a risk of a fall in world demand, reduced investment and cuts in production which would damage employment, he added, appearing to regard a recession as inevitable.

The budget proposals, which, through higher charges and some economies, aim to cut next year's budget deficit by L6,000bn to L103,500bn ($47bn), did not respond to the gravity of the situation, nor did they measure up to the need to strengthen and develop the economy.

Romiti: budget attack

G7 action on dollar 'hinges on US budget talks'

BY DAVID MARSH IN BONN

TALKS BETWEEN the US Administration and Congress on fresh cuts in the country's budget deficit were a "keystone" to determining action by the Group of Seven industrial countries to stabilise the dollar, Mr Michael Wilson, the Canadian Finance Minister, said yesterday.

Mr Wilson is on a European tour to meet three of his fellow finance minister signatories of last February's Louvre currency accord.

Although the trip was planned several weeks ago, Mr Wilson's talks appear to be setting a loose framework for a meeting of the Group of Seven - the US, Japan, West Germany, France, Britain, Canada and Italy - after agreement in Washington on a deficit reduction package. This could open the way for West Germany and Japan to take action to boost their economies to offset any slackening US economic activity.

Affirming that the financial market turbulence of the past few weeks had brought governments into "uncharted waters," he said other countries were reluctant to make "policy commitments" until there was action on the budget from Washington.

Speaking in Bonn yesterday after seeing Mr Gerhard Stoltenberg, the West German Finance Minister, Mr Wilson said financial markets were looking for cuts in the US deficit going beyond the $23bn which would be triggered by the Gramm-Rudman legislation.

Mr Wilson saw Mr Edouard Balladur, the French Finance Minister, on Monday, and was due to hold talks with Mr Nigel Lawson, the UK Chancellor of the Exchequer, in London later yesterday.

He stopped short of directly proposing stimulatory action for the chief countries with current account surpluses - West Germany and Japan. But he said that if the US was going to cut its budget deficit further, it would be "important" for other countries to "pick up possible slack there might be in economic activity."

On the timing of any Group of Seven meeting, he affirmed that it would need to be "properly prepared and excecuted." A hasty meeting with insufficient preparation "could be more damaging to the whole process than not having a meeting at all," he warned.

He dismissed any question of a speedy meeting, saying he would not be staying in Europe to wait for one to be arranged. "I will run out of shirts before there is a G7 meeting," he quipped.

Asked about the dangers of a recession in the US, Mr Wilson said leading indicators would have to be studied carefully in coming months. Although he saw some "troublesome" problem areas in the US economy, he added that he was not "excessively worried" about the recessionary dangers.

W Germany yields on Minitel

BY PAUL BETTS IN PARIS

THE BONN Government has finally agreed to allow France to market in West Germany its successful Minitel videotext services, ending a bitter dispute between the two countries.

The agreement to open up the West German market for the Minitel was signed yesterday by Mr Christian Schwarz-Schilling, the West German Telecommunications Minister, and Mr Gerard Longuet, his French counterpart, during the latest Franco-German summit in Karlsruhe.

The West German Bundespost has thus finally agreed to accept the French Minitel standard in the face of increasing pressure from the French Government and the French telecomunications authority, the Direction Generale des Telecommunications (DGT). France had filed a formal complaint last year with the European Commission against what it regarded as an obstructive attitude of the West German authorities against Minitel.

France has been anxious to export its Minitel technology which has proved a great success in the country. Indeed, France has taken a lead in videotext technology and services with the Minitel, which is supplied by the DGT to French telephone subscribers.

However, France has argued that West Germany had been seeking to protect its own telecommunications industry by not allowing France to export its Minitel services and technology across the Rhine because of West Germany's lag in this field compared with France.

The agreement signed yesterday and confirmed by French officials last night has now removed a serious bone of contention between the two countries.

Yeltsin's departure may slow the pace of Soviet reform

BY CATHERINE McELHINNEY IN MOSCOW

THE dismissal of Mr Boris Yeltsin from his senior position inthe Moscow Communist Party hierarchy deprives Mr Mikhail Gorbachev of a key supporter and could signal a slowing of the social and economic reforms being introduced in the Soviet Union.

Mr Yeltsin was among the first promoted by Mr Gorbachev when he came to power and some Western observers see his demise as the first serious political setback to the Soviet leader. Mr Gorbachev appears to have been forced into ousting his ally and protege as part of a political compromise with those in the party who, while supporting reform, advocated a gradualist, step-by-step approach.

The outspoken and abrasive style of the former Moscow party chief grated on this section of the party, led by the politburo number two, Mr Yegor Ligachev, who has publicly criticised some of the free-ranging debates allowed in the national press under the policy of *glasnost* (openness).

Mr Yeltsin's departure reinforces Mr Gorbachev's frank admission that opposition to his attempt to transform Soviet society is mounting. "There really is a lot of resistance to *perestroika* (restructuring). To put it mildly, there is a debate about what *perestroika* means, and people are beginning to take sides," a senior Western diplomat said last week.

Yeltsin: abrasive style caused his downfall

The manner of Mr Yeltsin's going is particularly damaging, reinforcing as it does the image of a party unable to throw off the habits of the Brezhnev years, not least the habit of obsessive secrecy.

News of his outburst at a central committee meeting attacking those who slowed the pace of reform was not only slow to emerge but appeared first at a briefing for foreign journalists. Tass, the official news agency, carried reports but ordered Soviet publications not to print them. None did, provoking bitter accusations in Moscow of "information apartheid," with native Muscovites having to learn from foreigners what was going on.

Mr Yeltsin was brought to Moscow from his post as party leader in the city of Sverdlovsk in the Urals in April 1985, one month after Mr Gorbachev took office. He was promoted to Moscow city party chief in December, and appointed to the ruling politburo as a non-voting member the following February. His expected promotion to full politburo member status never came.

He captured the attention of ordinary Muscovites, when he travelled on the Moscow metro and made surprise visits to food stores, as he tried to revamp the city's services by seeing their problems at first hand. Mr Yeltsin also became known for his scathing attacks on the corruption and inefficiency of his predecessor, Mr Victor Grishin, a man who had enough friends at the top to stand against Mr Gorbachev for the leadership in 1985.

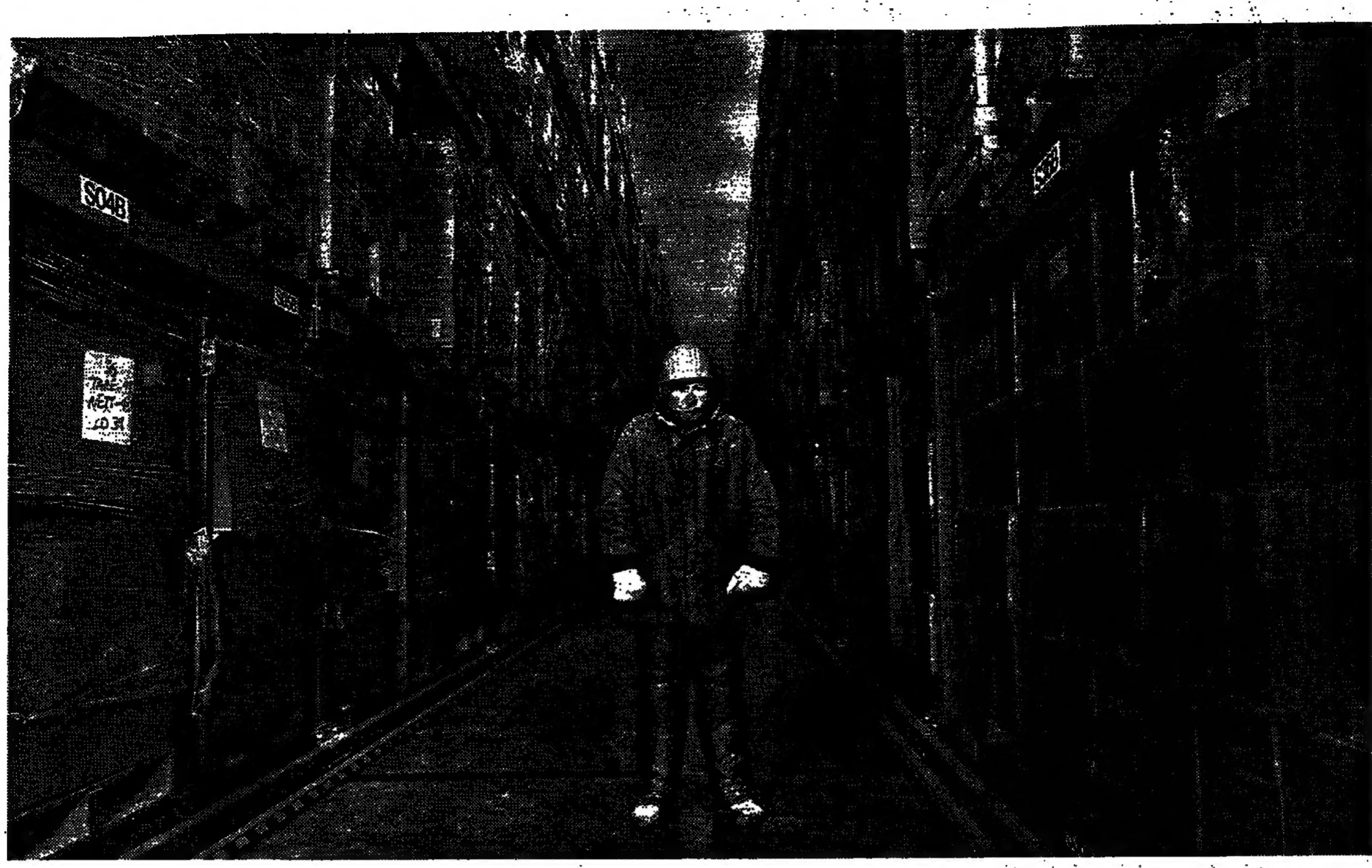
Strict enforcement of *perestroika* won him a lot of enemies. "He became isolated because he was so stubborn. He went ahead of Gorbachev - the political cost of keeping him alive became too great," a Western diplomat said.

Mr Lev Zaikov, Mr Yeltsin's replacement, is a very different character, his performances being described in the press as "grey and dull." The 64-year-old Mr Zaikov worked for nearly 40 years in scientific-production and is known as an arms specialist who has been in control of the Soviet arms industry.

He was only chairman of the executive of the Leningrad city Soviet, the eighth-ranking job in the city, when Mr Yuri Andropov, Soviet leader from 1982 to 1984, picked him out to be First Secretary of the Leningrad party committee in 1985. Subsequently promoted by Mr Gorbachev to full membership of the politburo, he has kept a low profile but is regarded as a loyal supporter and a keen advocate of reform.

Doubts over F-16s

Portugal would find it difficult to accommodate the US F-16 fighter bombers which Spain wants removed from its soil, Prime Minister Anibal Cavaco Silva said yesterday, Reuter reports from Madrid. He added, however, that Portugal, which has been mentioned as a possible alternative destination for the 72 F-16s currently stationed at Torrejun near Madrid, had not been approached.



Peronists set to wreck Argentine budget reforms

BY TIM COONE IN BUENOS AIRES

AN ATTEMPT by the Argentine government to introduce tax reforms to reduce its fiscal deficit has run into serious difficulties with business leaders and the opposition Peronist party.

The reforms, on which the government's economic plan rests, face defeat or at best severe watering down.

The measures seek to halve the fiscal deficit, a cut of about \$2.4bn, and will fall heavily on the business community through increases in property taxes, the renewal of "forced saving" and higher taxes on bank transactions. The package has first to be approved by Congress, where intensive lobbying is taking place to kill the proposals.

A leader of the Peronist deputies in the Congress, Mr Jorge Matzkin, confirmed to farm and business leaders on Wednesday evening that his block of legislators, which form the principal minority, will vote against the tax bills. This greatly reduces the bills' chances.

The ruling Radical Party has a majority only in the lower house of the Congress, but will lose even that when new legislators, elected in last September's polls, take up their seats next month. On top of that there is dissent within the Radical Party over the efficacy of the new taxes and the general direction of the government's economic policy.

Business leaders in one province have already threatened a tax strike if the proposals go through, while leaders of the Argentine Industrial Union, which groups together Argentina's leading industries, warned Mr Juan Sourouille, the Economy Minister, that the package was unacceptable to the business community.

Mr Sourouille was apparently adamant and told them: "The package as it stands is the only scheme possible which will enable the figures to balance."

A halving of the fiscal deficit, now running at 7 per cent of GDP, is the *sine qua non* on which Argentina's standby loan agreement with the IMF is based, and which in turn is the key to continued finance from Argentina's commercial creditor banks.

A failure of the tax package could thereby lead to a failure of the IMF agreement. A cut in external finance would seriously limit Argentina's capacity to service its \$54bn foreign debt (its visible trade surplus will be little more than \$1bn this year), and could force it into a *de facto* moratorium by early next year.

The rejection of the tax package by the business community and the Peronist opposition comes on top of mounting trade union opposition to the government's economic plan. The General Confederation of Workers has threatened a second general strike this month, this time for 36 hours. One of its principal demands is a debt moratorium.

Canute James in Kingston reports on an uphill struggle between governments and drug traffickers

Drug smugglers turn to Caribbean island-hopping

FOR MANY Caribbean governments and police chiefs, the words "hat trick" and "bat" no longer refer to the game of cricket, but to a threat they now accept as being more dangerous than that served up by the once-fearsome West Indies fast bowlers.

These, with "blue lightning" and "thunderstorm", are codenames for operations which have been mounted by regional governments and US law-enforcement agencies to curb the production and smuggling of narcotics to the US.

Despite some successes, mainly in the eradication of marijuana in major producers such as Jamaica and Belize, the Caribbean has become a sieve through which cocaine sifts from South America to the US.

The growth of smuggling is causing more than slight concern to Caribbean governments, particularly those in the small islands of the eastern Caribbean. "The drug problem has reached frightening proportions," says Mr John Compton, Prime Minister of St Lucia.

"If the trade continues at the present level the traders will soon be able to control governments."

Mr Ray Robinson, Trinidad and Tobago's Prime Minister, agrees. He said: "The power and complexity of the criminal drug network is such that it has penetrated to the very fabric of our societies and threatens to corrupt our most sacred institutions."

The geography of the region helps the traffickers. Small planes, many amphibious, island-hop through the archipelago with their cargoes, undetected by inadequate surveillance. Small boats use the thousands of coves and inlets with ease. The fact that many island Governments view pleasure boating as a potentially lucrative arm of tourism is providing greater cover for smugglers.

It is not only the islands which are being used. A recent report from the US State Department identified Guyana and Surinam, on the South American mainland, as favoured channels.

There is no clear indication of the volume or value of the drugs passing through the region to the US but the size of some hauls is an indicator.

The coves and beaches of the Caribbean archipelago shelter smugglers' boats. The traffickers are rich enough, says one police chief, to pay off customs, airlines, governments and police.

In the Dominican Republic, for example, a ship travelling from Venezuela to Miami was found to be carrying cocaine with a street value of \$125m. Puerto Rican authorities last year seized drugs worth \$500m – an estimated 10 per cent of the trade.

Mr Robinson has said that the region's coastguard must collaborate to deal with the smuggling. But the patrols are small, limited in some cases to no more than one boat for each country.

Few of the small, economically hard-pressed nations of the region can afford the cash needed to combat the traffickers, leading Mr Robinson to suggest that the eastern Caribbean needs more help from the US, where the drugs find their customers.

But even with "greater policing and harassment" of smugglers, as suggested by Mr Compton, the traffickers' resources should enable them to stay one step ahead of the authorities.

"The criminal drug networks in these islands have absolutely no problem with money," Mr Cuthbert Phillips, St Lucia's police commissioner, said recently. He claims that traffickers' budgets include payments for governments, police, customs and airlines.

The pervasive influence of the traffickers has been demonstrated in the convictions in US courts of government ministers from the Turks and Caicos islands and from Surinam, who were held on drug charges. An official enquiry in Trinidad and Tobago is said to have found former government officials and police officers were involved in drug trafficking.

The magnitude of the problem for the eastern Caribbean is indicated in Mr Compton's suggested solutions. Besides the harassment of the traffickers, he wants "economic activities to remove the breeding ground of recruits into this army of evil."

In a region struggling with little success, to reduce unemployment from an average 25 per cent, there are likely to be more than enough hands attracted to what the traffickers are offering.

In its effort to deal with illegal trafficking by air, the Puerto Rican administration is spending \$50m on airship-based radar to cover the 100-mile-long island.

A more radical solution is planned by Mr Edward Seaga, the Jamaican Prime Minister. He says aircraft suspected of smuggling drugs and which enter Jamaican airspace illegally will be shot down by surface-to-air missiles. Government officials said the Jamaican defence force had no surface-to-air missiles and there is no indication when it will get them.

However, Ms Ann Wrobleski, the US Assistant Secretary of State for Narcotics, said recently that Washington was to give more aid to Jamaica to fight the smugglers. She did not indicate the nature of the assets to be provided.

Shell subsidiary threatens to stop selling petrol in Brazil

SHELL warned yesterday it would abandon petrol sales in Brazil rather than accept the imposition of a Brazilian majority shareholding in its distribution network, writes **Ivo Dawnay in Rio de Janeiro.**

The warning was issued by Mr Robert Broughton, Shell Brasil president, after a key committee now drafting a new constitution voted to require Brazilian control of foreign-owned petrol outlets.

Petrol and fuel alcohol distribution in Brazil is 55 per cent controlled by foreign companies, with the wholly-owned Royal Dutch/Shell subsidiary holding 21 per cent, Esso 15 per cent, Atlantic 10 per cent and Texaco 9 per cent. Petrobras, the state oil company, controls 37 per cent while a private Brazilian distributor, Ipiranga, holds 9.5 per cent.

Mr Broughton's comments markedly toughen an earlier statement that merely pledged the company to fight the move. While expressing confidence that the clause would be thrown out by a plenary session of the Constitutional Assembly, he promised a united campaign by the foreign companies

He also warned: "Shell absolutely does not accept being transformed into a minority shareholder." It would withdraw altogether from distribution which provided the major part of its \$2.7bn Brazilian sales in 1986

In later comments Mr Broughton said Shell shareholders would be distressed that the eighth-largest economy in the world could vote on matters of such international consequence with so little debate.

It was more similar to the behaviour of a small African republic, he said. Shell said it was not threatening to halt its chemicals and mining activities.

A similar vote by the drafting committee to restrict mining operations to Brazilian majority companies was not expected to have the remotest chance of passing through the plenary, Shell claimed.

Mr Ari Macedo, the vice-president of Atlantic, has also vigorously attacked the proposal. "Whoever was thinking of investing in Brazil will have to think 10 times more after this lamentable episode," he said.

Government officials were yesterday attempting to minimise the damage of the vote, claiming that there was not the slightest chance of the measure becoming part of the new constitution. Mr Luiz Carlos Bresser Pereira, the Finance Minister, is reported to have described the proposal as absurd and a negative signal to foreign investors.

Peru in \$27m debt deal with Prague

BY BARBARA DURR IN LIMA

PERU yesterday signed a \$27m debt deal with Czechoslovakia under which Lima will pay \$9m towards its \$58m debt to Czechoslovakia in return for the Czechs buying an extra \$18m of Peruvian products.

This is the third such deal struck by Peru this year with East bloc countries - the others were with East Germany and Hungary. It follows a similar deal between the Peruvian Government and First Interstate Bank of California and Midland Bank.

The Czechoslovakian agreement covers debt service for the rest of this year and for 1988. The products to be used for payment include computers assembled in Peru, frozen fish, zinc discs, iron pellets and leather goods.

The Peruvian Government has insisted that for every one dollar's worth of debt repayment in kind creditors buy at least two dollars' of products using hard currency. The two-for-one formula aims to conserve Peru's dwindling foreign exchange.

Mr Guillermo Runciman, director of the Ministry of Economy's public credit office, said talks on similar deals with three more Western commercial creditors were very advanced. These were Chase Manhattan Bank, American Express and Banco de Bogota.

Mr Runciman said that no deal had yet been reached with the Soviet Union, which refuses to accept the two-for-one formula.

The Czechoslovakian accord comes as Peru's Minister of Economy and Finance, Mr Gustavo Saberbein, has begun talks on Peru's external debt with the World Bank. The Bank suspended payments to Peru last April after Peru refused to pay its full arrears. But as its economic prospects worsen, Peru is anxious to resume relations with the Bank.

Gustavo Saberbein: talks with creditors

Mr Runciman said he believed the World Bank's attitude had changed and that the Bank might now be flexible over its demand that Peru pay its full arrears of approximately \$130m.

While no specific loan agreements are expected to be signed, Mr Saberbein hopes to reach an understanding with the World Bank on Peru's economic problems and to determine the country's financial needs for a new lending programme.

Mr Saberbein will also have an informal meeting with the Paris Club next week in Paris. Government creditors hold \$4.3bn of Peru's total \$14.3bn foreign debt. Its total arrears now run to \$5.5bn.

Mr Runciman said Peru had asked its commercial bank steering committee in New York for a meeting in mid-January. He said Peru had proposals for payments to banks including payment-in-kind and the conversion of debt into 25-year no-interest bonds. Peru's last meeting with its commercial bank creditors in September 1986 ended without agreement.

There is speculation in Lima that Peru will be forced by early next year to reverse its policies and move towards more orthodox economic adjustment recipes. Since July 1985, when President Alan Garcia came to office, Peru has maintained a policy of paying its foreign debt at only 10 per cent of export income.

Relief as Kennedy is judged acceptable

BY NANCY DUNNE IN WASHINGTON

MORE THAN 100 cheering students crowded into a courtroom at the McGeorge school of law in Sacrimento, California, to watch on a large television screen the nomination of their popular part-time professor to the vacant seat on the US Supreme Court.

In Washington, the reaction to Judge Anthony Kennedy's selection was more subdued, containing an element of relief that President Reagan had, after two failures, found a Supreme Court justice who appears to be acceptable to a majority in both parties.

"The experience of the last several months has made us all a bit wiser," the president said of his four-month battle to instal a rightwing candidate.

For their part, the liberal Democrats seem to have learned caution from accusations that they had behaved like a lynch mob in the debate over judge Robert Bork, the president's first nominee. Others, mindful of the unexpected revelations about Judge Douglas Ginsberg's marijuana smoking and ethical problems, were wary as well.

Senator Edward Kennedy, said simply, "I look forward to the hearings and to meeting Judge Kennedy." Senator Joseph Biden, chairman of the judiciary committee, said he suspected "we'll have a new Supreme Court justice, if all goes well."

Civil rights and women's groups were studying the nominee's 400 written opinions. The American Bar Association, whose evaluation is crucial, began yet another study of a candidate's qualifications.

No senator is predicting that confirmation is a certainty. Even the White House said Judge Kennedy's name would not be sent to Congress until a comprehensive background check was completed.

Conservatives, who threatened to fight the nomination, seemed yesterday to have fallen in line. Senator Orrin Hatch, a Utah Republican, appeared on television to praise Judge Kennedy's credentials.

Senator Larry Pressler, a South Dakota Republican, called the judge "a compromise candidate."

The judge's views on abortion, now unknown, could draw fire from the right or the left, and he is likely to try to avoid giving them.

Richard Johns reports on the ineffectiveness of sanctions designed to prevent Iran waging war with Western weaponry in the Gulf

Arms embargo which cannot withstand the profit motive

THE discovery that Iran has obtained Stinger missiles was bitterly ironic for the US, poised to resume its campaign for an arms embargo. It also highlighted the difficulties facing any concerted attempt to stop the flow of arms to the Islamic Republic - even one initiated and endorsed by the UN Security Council.

The Pentagon has regarded the portable, shoulder-fired surface-to-air missile as sophisticated enough to restrict its sale to only a handful of trusted allies and, more problematically, two liberation movements fighting Moscow-backed Communist regimes and Chad, in its confrontation with Colonel Muammer Gaddafi of Libya.

However, it denied deliveries of Stingers to Saudi Arabia and Jordan under pressure from Congress, which argued they might fall into the hands of Israel's Palestinian enemies.

In the avaricious and corrupt world of the international arms business, only perhaps the sale to Iran of weapons captured from it by Iraq (through middlemen) offers a more bizarre comment on the attempts of the international community to stem the flow of weapons to Iran.

Efforts to curb the trade by Western governments have been rendered largely futile by the use of false and forged end-user certificates, falsified shipping documents and phoney invoices. The traffic has been made possible by legal loopholes, the laxity of official controls and the willingness of a score or more of third party entrepots to facilitate the movement of lethal equipment. The profit motive of companies desperate for orders has also helped to strengthen Iran's martial sinews.

After Stinger batteries and cases of the kind normally used for the missile were found on one of the Iranian gunboats captured on October 8 it was not necessary to look further for the source of an embarrassing breach of the US embargo than neighbouring Afghanistan. The weapon, which has caused the Soviet forces there so much discomfiture, was channelled to *mujahideen* guerrillas by no less than seven parties based in Peshawar.

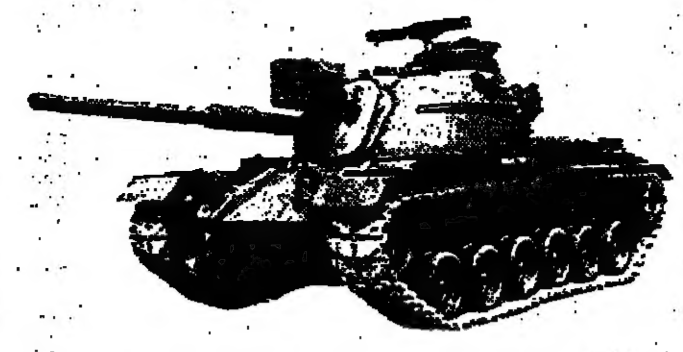
That was a direct route compared with the devious twisting trails used by many middlemen in a trade which - quite apart from supplies to Iran from the Communist bloc - has flourished in the face of legal and administrative restrictions imposed by Western governments. It is likely

Efforts to curb the trade by Western governments have been rendered largely futile by the use of false and forged end-user certificates, falsified shipping documents and phoney invoices.

to continue as long as handsome profits can be made and Iran is able to pay the inflated premium for the supplies it needs.

In its pursuit of the war Iran has been greatly handicapped by the difficulty of obtaining parts to maintain the weapons systems purchased by the Shah and the Mirage F-1 fighter bombers and Exocet missiles which made possible a sustained campaign against its enemy's oil traffic from early 1984. Supplies from China and North Korea have been inadequate.

If mandatory sanctions were enforced by the Communist bloc Iran would be deprived of its main source of hardware, albeit relatively unsophisticated. Last summer China was reckoned by the US Administration to have surpassed North Korea as Iran's leading supplier following the $1.6bn deal concluded in March 1985.



F-4 Phantom fighter aircraft and M-48 tanks were among shipments intended for Iran, discovered as part of a "sting operation" mounted by the US authorities in Bermuda. Seventeen men, including Israeli General Avraham Bar-Am, are awaiting trial.

Officials in Washington reckon that China supplied arms worth about $1bn last year. Beijing has continued to protest that it has not sold Silkworm missiles to Iran and has even suggested that the weapons in its possession were captured from the Iraqis. Shipments were possibly sent via North Korea. But equipment made available by China to Iran is reckoned to have included Soviet aircraft, anti-aircraft missiles, tanks and armoured personnel carriers.

An arms embargo against Iran would not only put a greater onus on Western governments to tighten up controls on exports through third countries. It would also place them under a much stronger obligation to stop the movement of weaponry destined for Iran through their borders. Yet some notable failures in the last few years indicate how difficult it will be to eliminate the traffic.

According to the most recent allegations relating to the sale of explosives by the French arms company Luchaire, President Francois Mitterand - who has declined to comment on the charges - was told in 1984 about the illegal exports, but the shipments continued for another two years despite an arms embargo against Iran, in force since the start of the Gulf conflict.

The right-wing newspaper Le Figaro quoted Mr Jean-Francois Barba, inspector general of the armed forces, as saying Mr Charles Hernu, the Defence Minister, may have turned a blind eye to the sales because he was sympathetic to aides who wanted to help the struggling company while also accepting contributions to the Socialist Party.

In Italy an investigation into gun-running and drugs-trafficking, involving the Mafia, implicated Valsella Meccanotecnica, a 50 per cent owned Fiat subsidiary, in the supply to Iran (via cover companies in Nigeria and elsewhere) of the mines which the Italian and five other Western navies are now hunting in the Gulf. Both the chairman and the managing-director of the Brescia-based company were arrested in connection with the allegations.

Noricum, the weapons division of Voest-Alpine, is under investigation in Austria for selling to *Iran in 1985-6 140 cannon of the* GHN-45 type, part of an order reported to be for 600. With the use of false end-user certificates the weapons are said to have been shipped via Libya and Brazil. Mr Peter Unterweger, the chairman, has been detained. "We never knowingly sold arms to Iran," says Voest Apline.

In the wake of Irangate perhaps the most notable revelations have related to the way in which Nobel Industrier AB of Sweden, the most pious Western country on the issues of peace

If mandatory sanctions were enforced by the Communist bloc Iran would be deprived of its main source of hardware, albeit relatively unsophisticated.

and disarmament, assisted the war effort of Ayatollah Khomeini's regime in collaboration with an international cartel of explosives manufacturers.

Sales to Iran by Bofors, Nobel's armaments subsidiary, of RBS anti-aircraft missiles via Singapore, was a breach of Stockholm's prohibition against the export of weapons to nations at war or in areas of military tension.

Nobel Industries' involvement in the complex case, involving the export of explosives and centred around the multi-national dealings of Mr Karl-Erik Schmitz and his Swedish Commodity *Company, has been probably* more illustrative of the difficulties facing enforcement of a global arms embargo.

In 1983 the US launched its Operation Staunch, aimed at discouraging other countries from selling arms to Iran and subsequently discredited by the Irangate scandal. It claimed that its diplomatic protests had prevented potential sales by Argentina, Italy, Portugal, Spain and South Korea. Yet in practice the US could have been as big a sieve in this respect as any other Western country.

Until the end of last year the US Government had brought 44 prosecutions for actual or attempted shipments of arms to Iran. The most sensational involved an alleged scheme to sell Iran $2bn of sophisticated equipment including F-4 Phantom fighter aircraft, M-48 tanks and attack helicopters - which could hardly have come from anywhere other than the stocks of the Israeli Defence Forces.

The 17 men, including retired Israeli General Avraham Bar-Am, arrested as the result of a "sting operation" mounted by the US authorities in Bermuda 18 months ago, are still awaiting trial.

Mr Anthony Cordesman, a Washington analyst, commented in a recent publication: "Iran was never able to tell whether it was dealing with serious offers, frauds, or sales being partly controlled by Western intelligence"

Over the seven-year period of the conflict, Israel has been the most consistent and probably the most substantial supplier of arms to Iran, motivated by the desire to weaken the Arab world, boost export earnings and secure the well-being of Jews remaining in Iran.

In the autumn of last year, meanwhile, the shooting down of an Iraqi aircraft by a US-made Phoenix missile indicated how far from comprehensive US vigilance may have been. So, too, did a UK Customs and Excise probe in 1985 which unearthed, in a private mansion in Middlesex, stolen spare parts for the F-14 Tomcat fighter aircraft purchased by the Shah before his overthrow.

The British Government's decision to close what the Iranians called their "logistics support centre" at the trade complex at 4, Victoria Street, London SW1, will probably inconvenience arms procurement by Iran. But it is unlikely to strangle it whether or not the UN Security Council agrees on an arms embargo.

The centre, manned by military personnel, was essentially an office for liaison, co-ordination and clearance of payments through the Bank Melli's branch in the City. But the Islamic Republic has other non-diplomatic outposts and will establish more unless West European governments show much more vigilance.

Iran has, for instance, an important outlet in Hamburg masquerading under the name of Pacific Import-Export, and another in Zurich. Both are run by the Revolutionary Guards *Corps, which has received an* increasing proportion of available resources for weapons purchases, according to well-informed emigres.

They say that other centres of significance for dealings and transhipment of weapons have been Singapore, Greece, Turkey, Spain and - for South African and Brazilian arms in particular - Portugal. Yugoslavia is believed to have provided a vital clearing house for supplies from East European, including East German-manufactured versions of the highly effective ZSU series of anti-aircraft guns.

Silkworm missiles are being used by Iran in the Gulf conflict, although China, the manufacturer, denies supplying the equipment

Long before the embarrassment of Irangate the US had pressurised the British Government to close the Victoria arms procurement office. It also criticised the UK for continuing to suppply engines and other spare parts for Chieftan tanks: London replied that it had contractual obligations to do so. Those obligations expired in February 1985, although subsequent deliveries were reported at the end of 1986.

UK policy remains that it will not authorise the supply of any equipment which might enable Iran to prolong or exacerbate the conflict.

In 1984 Britain accepted assurances that two naval support ships for which export licences were approved would not be used in the Gulf war. At the end of 1986 the Government justified the sale by Plessey of six static air defence systems, a lucrative contract worth $343m, on the grounds that they would be used to help defend Iran's Soviet and Afghan borders.

Switzerland - which is not a member of the UN but has a policy stipulating that only defensive weapons can be exported - evidently felt no qualms of conscience in allowing the export of Pilatus military training aircraft even though they can be converted for a useful light attack role.

The offensive potential of the high-speed launches made by Boghammar Marin AB might seem less obvious. Yet the sale of 40 of these high-speed craft to the Iranian customs service in 1983-4 has provided marauding Revolutionary Guards with the means to disrupt seriously Arab oil traffic in the Gulf and create a potentially explosive confrontation with the US naval presence there.

The difficulties of defining precisely what should be banned in an international arms embargo are obvious. Equipment, components or materials may not be lethal in themselves but they can help the pursuit of the conflict. In this respect the European Community has identified and forbidden the export to Iraq, as well Iran, of eight chemicals which could be used in the manufacture of mustard gas and chemical agents.

Over the seven-year period of the conflict, Israel has been the most consistent and probably the most substantial supplier of arms to Iran, motivated by the desire to weaken the Arab world, boost export earnings and secure the well-being of Jews remaining in Iran.

As early as 1981 Israel is believed to have supplied Hawk missiles, M-48 tanks and 155mm artillery pieces. As recently as 1986 in the six months between May and November, it delivered anything from $500m-1bn of arms in nine to 12 shipments, according to Mr Gary Sick, a US analyst.

Since the Irangate scandal broke the assumption must be that the US has put pressure on Israel to stop suppling Iran. At the same time there have been recent indications that Jerusalem is developing some reservations about helping and profiting from a fundamentalist Islamic regime dedicated in the long-term to the destruction of the Jewish state.

Israel's close, somewhat covert links with South Africa could make the country an ideal conduit. In September Jerusalem bowed to pressure from Washington and announced measures limiting diplomatic, cultural and business links with Pretoria. The measures ensured that no new arrangement on collaboration was entered into and Israel also let it be known that none relating to arms had been concluded since 1977. But nothing was said about the duration of old contracts.

It is known that South Africa was a large supplier of explosives and shells to Iran, at least until the summer of 1984 under counter-purchase deals involving crude oil. At that point South Africa's state-owned Armaments Corporation concluded a contract worth $400m to sell Iraq its powerful G-5 long-range artillery peices. One of the conditions was reported to be a stoppage of deliveries to Iran. Whether this was successful is unclear.

If an arms embargo against Iran was declared, South Africa has the potential to be a major breach in it.

FT correspondents around the world contributed to this article.

Pretoria admits four soldiers killed in Angola

BY ANTHONY ROBINSON IN JOHANNESBURG

GEN MAGNUS MALAN, the South African Defence Minister, yesterday announced that four South African soldiers had been killed and an undisclosed number injured during fierce fighting between South African and Soviet bloc forces in south east Angola on Monday.

Earlier claims by the state controlled Angolan news agency Angop that 230 South African soldiers had been killed were denied.

Announcing further details about the clash between the leading regional power and Soviet bloc supporters of Angolan Government Fapla forces, the South African Defence Force said: "A brigade supported by Cubans with tanks, artillery, anti-aircraft weapons, ground-to-air missiles and aircraft was successfully forced to withraw from its position." It added: "The Cubans were instructed to be evacuated by helicopter leaving Fapla troops to carry on".

However, correspondents returning from a press conference held by Dr Jonas Savimbi, leader of Angola's Unita rebels, reported that he seemed mystified by the South African report.

Dr Savimbi, who is supported by South Africa and supplied with Stinger missiles and other equipment by Washington, claimed that Unita forces had won the biggest victory of their 12-year insurgency, killing 1,984 Angolan, 27 Soviet and 21 Cuban soldiers and rendering Fapla incapable of mounting another dry season offensive next year.

"This offensive is over. My commanders are now here. The Government will not be in a position to launch another offensive in 1988," he said. US and South African intelligence reports estimate that the Soviet Union poured over $1bn worth of military equipment, including MiG-23 fighters, attack helicopters, missiles and tanks into Angola in preparation for the two pronged attack on Mavinga and other Unita bases in Cuando-Cubango province.

The attack started later than planned and was halted last month north of the Lomba River, according to Unita and the South Africans.

Dr Savimbi said he was surprised by the South African statement claiming that its forces had intervened in support of Unita against Cuban and Soviet forces. He confirmed that Pretoria had helped Unita but insisted that this support involved neither ground troops nor aircraft. He added that he hoped Unita's success would open the way for power sharing negotiations and said he intended to ask President Daniel arap Moi of Kenya to act as a mediator in an effort to start talks with the Angolan Government led by President Eduardo Dos Santos.

Meanwhile, the Botswanan Government announced yesterday that leaders of the six frontline states - Angola, Botswana, Mozambique, Tanzania, Zambia and Zimbabwe - would meet in Luanda on Saturday "to review the situation in southern Africa."

Moscow offers aid package to Pakistan

BY MOHAMMAD AFTAB IN ISLAMABAD

THE Soviet Union has offered Pakistan a multi-million dollar aid package, in a bid to improve relations which have been bad since the 1979 Soviet military invasion of Afghanistan.

Moscow and the Soviet-supported Communist Government in Kabul, Afghanistan, accuse Pakistan, the US, China and the Arab countries of militarily aiding the Islamic guerrillas in Afghanistan. The war there has claimed thousands of lives on the two sides over the last eight years.

Mr Mahbubul Haq, Minister for Planning and Commerce, on his return from the Soviet Union, said Moscow had offered both technical and financial aid for steel, oil and gas, and several other sectors during the seventh five-year plan which Pakistan starts on July 1 1988. But he put no price on the projects offered or what they would cost if the two nations agreed to co-operate.

Mr Haq told a news conference the Soviet Union had offered to assist in expansion and modernisation of a steel mill in Pakistan which was Soviet-built. It has an annual capacity of 1.1m tonnes. But, Mr Bashir Ahmed, the Production Minister, had previously told journalists that Moscow was not providing spare parts and essential components which the steel mill, at the industrial city of Karachi, requires. The controversy revolves round the ever-increasing rate of exchange which Moscow is demanding for roubles against the Pakistani rupee.

Mr Haq said the Soviet offer, if it goes through, also includes oil, gas and electricity projects which Pakistan urgently needs to overcome its energy shortage.

Each side at present exports goods worth $100m annually: Pakistan mainly exports cotton textiles, ready-made garments, and a range of industrial products. Soviet exports include supplies for the steel mills, tractors and heavy machinery.

Protest fails to persuade Ershad's army

The Bangladesh Government is secure while the army is happy, our foreign staff and Robert Mahoney in Dhaka report

WHEN gunfire and tear gas filled the streets of Dhaka this week President Hossain Mohammad Ershad sat in garrison headquarters knowing he was safe from a threatened opposition "siege" while the army stood behind him.

In Bangladesh, a country which has lost two presidents to army bullets in its brief 16-year history, that support is vital.

Mr Ershad did not need to call on troops to thwart opposition plans to march on the capital and cripple the Government on Tuesday in an attempt to force his resignation.

But it was an indication of some nervousness at the call by the opposition for three days of protests and strikes that on Wednesday he arrested Begum Khaleda Zia and Mrs Sheikh Hasina, leaders of the two main opposition groupings.

Police and paramilitary forces faced more than 10,000 protesters who brought this city of 4m people to a standstill. Police said they shot dead three protesters. The opposition said 12 were killed.

Mr Ershad called the protest a flop because it had failed in its main aim of forcing him to resign. Mrs Khaleda Zia and Mrs Sheikh Hasina, the newly-united opposition leaders, put a brave face on it, saying the "siege" had crippled the administration in spite of the fact that Mr Ershad halted transport bringing protesters to the capital and arrested about 1,200 opponents before the demonstrations.

The protest was the biggest political challenge to Mr Ershad, a former army general, since he toppled a shortlived civilian government in a bloodless 1982 coup. The 57-year-old leader is, however, expected to weather the storm partly because the generals want it that way, political commentators and Western diplomats say.

More than anyone, Mr Ershad realises the importance of keeping the 75,000-strong army happy. This week he consulted with army chiefs and listened to their views on running the country. He said there was no army discontent "because if you keep them (the army) in the picture ... they will be happy."

The army, with Indian support, helped give birth to Bangladesh when it broke away from Pakistan in 1971. Since then it has played a pivotal role in politics. Army officers killed the country's first president, Mrs Hasina's father Sheikh Mujibur Rahman in 1975. They also assassinated Mrs Zia's husband, President Ziaur Rahman in 1981.

Mrs Ershad has turned the army into a professional, cohesive force, imbued it with a sense of purpose and given it what it asked for, according to diplomats. "The army gets the lion's share of civil facilities, housing and education," said one diplomat.

This is particularly important in Bangladesh, one of the world's poorest countries with a per capita income half that of neighbouring India.

Army officers have been given plum diplomatic assignments and retired officers sit on the boards of several state organisations and companies. The Government spent $256m on defence this year, 6 per cent of the budget.

The opposition draws most of its support from the urban 20 per cent of Bangladesh's 105m people. The army has been active helping the other 80 per cent in the countryside cope with the floods and cyclones which regularly batter this land along the Ganges and Brahmaputra deltas.

Ershad: no intention of resigning

The opposition leaders have repeatedly charged Mr Ershad and his administration with corruption and repression - charges which Mr Ershad denies.

Mrs Hasina goes even further, saying that Mr Ershad has lost army support because of corruption, his running of the country and handling of the opposition challenge. "If Ershad does not resign his own people will kill him," she told reporters.

"We have a history of change by the bullet rather than the ballot ... we want Ershad to step down ... and end this power politics through killing."

While the two mainline opposition alliances in general and their two leaders in particular appear firm in their bid to remove President Ershad from power, the leadership of the anti-government movement appears to be being taken over gradually by the Communists and the leftists. The attack on the American Bicentenial Hall and the destruction of the Pan Am office in the commercial district of Motijheel earlier this week pointedly demonstrate the movement's anti-American stance.

Neither Mrs Hasina nor Mrs Zia favour such overtly anti-American fervour. Observers believe that if the current anti-Ershad agitation continues for long, the Communists and their left wing allies, who have emerged as the most organised force in the country's labour front, will take full advantage of the situation and consolidate their position.

Asked to comment on Mrs Hasina's remarks, Mr Ershad said he had no intention of resigning. "I know the army, I commanded it for eight years. Why has there been no whisper of a coup (against me)?," he asked.

The answer is that so far he has kept the army happy.

'Dove' Kim aims for presidency

By Maggie Ford in Seoul

MR KIM DAE JUNG ,the South Korean opposition leader, was yesterday formally nominated as a presidential candidate by his new Party for Peace and Democracy .

Dressed in the traditional Korean clothes that have become his trademark, Mr Kim released a cageful of doves in front of thousands of cheering supporters, symbolising his determiniation to end military involvement in politics and bring peace to the peninsula.

The military's role has emerged as a major election issue following the announcement by Mr Kim Young Sam, another opposition candidate, that a senior general had joined his party. The general, martial law commander in 1979, was removed from his position and later jailed after the coup d'etat by President Chun Doo hwan.

On Wednesday a member of the ruling Democratic Justice Party, Mr Yoo Hak Seong, himself a former general, denied that the events of December 1979, were a coup. He claimed that the seizure of power by Mr Chun, helped by Mr Roh Tae Woo, presidential candidate for the DJP, was simply an "unfortunate accident".

He also claimed that it was he who gave the order for troops belonging to the Ninth Infantry Division, commanded by Mr Roh, to leave the demilitarised zone between North and South Korea in support of Mr Chun's move. Mr Roh was expected to give his version of events late last night.

Mr Kim Dae Jung's new party yesterday issued a comprehensive policy platform concentrating on five main areas: national reconciliation, a fair economy, neutrality of the military, self-reliant diplomacy and the promotion of reunification with the North.

Tamil autonomy passed

THE Sri Lankan parliament, amid widespread often bloody protests, yesterday passed two controversial bills granting the Tamil minority limited autonomy in one-third of the country, **Reuter reports from Colombo.**

President Junius Jayawardene's United National Party pushed the legislation through parliament with a two-thirds majority, despite protests by Sinhalese hardliners, and unrest in which almost 100 people have died this week.

The opposition Freedom Party, charging that the 81-year-old president had turned Sri Lanka into a pawn of India, denounced the autonomy plan and demanded a referendum.

The measures were approved as part of a deal between President Jayawardene and Prime Minister Rajiv Gandhi of India in July to end the island's ethnic bloodshed.

The autonomy deal, according to the opposition, would give the Tamils, who make up just 18 per cent of the island's 16m people, 30 per cent of the land and 60 per cent of its coastline.

Iran denounces Arab leaders as 'US stooges'

By Tony Walker in Amman

IRAN HAS denounced Arab rulers as stooges of the US following the emergency summit in Amman which condemned Tehran for its refusal to end the Gulf War.

Arab heads of state, at the conclusion on Wednesday of the their four-day meeting, expressed support for Iraq and endorsed a United Nations Security Council resolution calling for an immediate ceasefire in the Gulf.

Libya, which had participated in the emergency summit, subsequently dissociated itself from the resolution condemning Iran, saying it was "American inspired".

Tehran Radio said yesterday Iran was determined to "continue its defensive war despite all the enemies' plots and propaganda until the aggressor Baghdad regime is punished and (Iran's) rightful demands are met."

Meanwhile, western observers in the region are adopting a "wait and see approach" before fully assessing the consequences of the Arab summit.

Most interest has focused on whether Syria, which has supported Iran from the start in the Gulf conflict, has in fact begun switching its allegiances.

"On the face of it, there has been a change," said a senior western ambassador, "but how do you know exactly what commitments have been made?"

Echoing concerns expressed by diplomat colleagues that apparent unity in Amman among Arab rulers may not endure, the ambassador said: "I'm afraid the process of evaporation is going to start quite soon."

Most observers believe that President Hafez al-Assad of Syria was forced by his country's dire economic circumstances to give ground in Amman, but they are reserving judgment on whether he made significant concessions.

Western officials are expressing satisfaction with the apparent ascendancy of the moderates at the summit. They have welcomed the imminent re-establishment of full diplomatic relations between most Arab states and Egypt.

WORLD TRADE NEWS

Carla Rapoport on the slow sales of DAT, a product that terrified the music industry

Tape manufacturers playing for time

IT HAD TO be the most controversial product launch in the history of consumer electronics. Digital audio tape (DAT) was going to destroy the international music industry if it was allowed on the market in its pure form.

The music industry can relax, at least for the time being. DAT has been on sale in the world's second largest consumer electronics market for nearly a year, but has been little more than a disappointment to its makers.

Sales of DAT in Japan have fallen seriously short of expectations, with only 15,000 units sold so far. Even Sony, which remains relentlessly cheerful about the product, admits the major purchasers of DAT are bird-watchers and self-confessed audio maniacs.

DAT, it appears, ran into a problem that had nothing to do with quality, technology or even desirability. A revolutionary audio product, DAT can record and play music with the same quality as a compact disc using tiny, reusable cassettes.

The music industry claims the product will be used to pirate its copyrighted music by home-taping of CDs. It is strongly pushing an international standard for DAT, called a copy code, which would render its recording function useless. The Japanese have flatly refused to comply.

Despite fierce protests from music industry executives and threats of reprisals, the Japanese went ahead with their launch of DAT last February. The players, without the copycode, entered the market at the same price compact disc players were launched at five years ago. Unfortunately for the electronics industry, every consumer in Japan knows what happened to CD prices in the past five years. As a result, potential buyers of DAT have stayed on the sidelines, turning the problem into a vicious circle for the Japanese.

DAT manufacturing capacity is so underused at the moment that the makers cannot afford to cut prices to stimulate sales. Yet the volume doesn't look like increasing until prices fall.

CD players in Japan, for example, now sell for as little as Y30,000 ($220). "The users already know these high price products will become lower price products," said a Hitachi executive this week.

Further, the Japanese music industry has fallen in line with its Western counterparts and refused to produce any pre-recorded tapes on DAT cassettes. Although the Japanese do not own many rights to Western music, they do have the ability to produce DAT cassettes of the many popular Japanese artists. So far, however, they have been reluctant to irritate the International Federations of Phonogram and Videogram Producers (IFPI) which has been leading the fight against DAT.

As a result, there is nothing to play on a DAT player unless the consumer makes his or her own tapes. And indeed, because of the equipment's ability to make studio-quality recordings, mainly enthusiasts have been buying it to record such things as bird calls and train whistles.

On the shelf: High prices have kept DAT player sales down

"There hasn't been any move by the big record manufacturers to make titles available on DAT," said an executive with a leading consumer electronics company this week. "Frankly, because of this software problem, we cannot figure out the marketing," he executive added.

Another sticking point for the Japanese is the lack of overseas sales. Traditionally, the Japanese electronics companies build up volume at home by shipping their products to eager overseas markets. Prices are low because volume is high. Further, DAT was going to one of the products which would help compensate for the problems of the high yen because it would be new, exciting and be able to command a good price at the beginning.

But marketing plans for overseas markets remain vague, primarily because of the poor reception at home and the furore over piracy abroad. Sony executives in Tokyo this week said sales in West Germany started this month, but sales in the UK have apparently been postponed. JVC said this week it would like to market DAT in West Germany "in the near future". Others refused comment on their plans.

In the meantime, the lack of interest in DAT at home is causing some pain among Japan's smaller exporters. Akai Electric, which has seen exports drop sharply this year due to the appreciation of the yen, now predicts a loss for its current fiscal year. In making its forecast, Akai singled out the slower-than-expected sales of DAT as a significant contributor to its problems.

Most of the leaders in the industry are taking a wait-and-see attitude to DAT with the exception of Sony, Matsushita Electric and Aiwa, which is a subsidiary of Sony. Matsushita, which sells under the National and Panasonic brand names, and Sony are bringing out portable DAT players within the next few weeks.

"People who are buying are the so-called maniacs, the first-on-the-block folks, the high-yen people," said Steve Burke, a public relations executive with Sony in Tokyo. "CD was slow to take off in the first year - it only sold about 30,000 units. We're not disappointed. We expect a certain level of growth when portables are available," he said.

JVC pointed out that industry has high hopes for car DAT players which will be available by the end of this year. "This will stretch the need for software and in turn put pressure on the software manufacturers," said Junko Yoshida of JVC.

"We still have hopes long-term that DAT will be a big seller"

At the moment, however, the great spur to reduce prices - competition - is lacking. A Hitachi executive summed it up: "The market is so small, there can be no competition. It is too small to make Japanese manufacturers think it important and do what is necessary: start cutting prices."

Suzuki to sell GM cars in Japan

By Stefan Wagstyl

GENERAL MOTORS, the largest US vehicle maker, and Suzuki, the smallest Japanese manufacturer, are planning a marketing arrangement under which Suzuki will sell General Motors cars in Japan.

Suzuki, which is 4.9 per cent owned by the American company, will sell three GM-built mid-sized cars, the Grand Am, Corsica and Beretta, through its 600-strong domestic dealer network, starting early next year.

Suzuki is considering setting up a separate company to import the GM vehicles, a GM spokesman said.

Details of the agreement had yet to be finalised but GM intended to maintain ties with Yanase, its existing Japanese importer.

The move comes at a time when the strengthened yen has made it easier for Western vehicle makers to export to Japan, although US producers trail far behind West German manufacturers in their efforts to penetrate the Japanese market.

Last year, GM sold only 1,859 cars in Japan, compared with 16,085 by VW/Audi, the import market leader.

Total import penetration nevertheless remains extremely low, at less than 3 per cent of the market.

Ford, Mazda in pact to replace small car range

BY STEFAN WAGSTYL IN TOKYO

FORD US and Mazda Motor, the Japanese manufacturer in which Ford has a 23.7 per cent stake, have agreed jointly to develop new small cars to replace current models, including the Ford Escort version sold in North America.

The replacement for the European version of the Escort - the world's biggest-selling car with nearly 1m produced last year - will be developed separately, at Ford's engineering centre at Dunton in the UK, as well as the Fiesta, Sierra, Temp and Topaz replacements.

Yesterday's agreement, the latest result of long-standing close links between the two companies, demonstrates how car makers increasingly are co-operating to share development, manufacturing and marketing skills. This agreement, and the General Motors-Suzuki marketing deal also announced yesterday, "are good examples of how the industry is being globalised," said Mr Geoffrey Wilkinson, car industry analyst for Salomon Brothers, the US investment broker.

Mazda said it had been given the lead responsibility in developing components for a small car for Ford, and engineering work was under way. Industry analysts in Tokyo said Mazda would probably supply engines and other major components for the car.

The development project would possibly be completed in 1990. Mazda's South Korean affiliate Kia Motors recently began shipping small cars to Ford for sale in the US under the Ford badge. Mazda is also supplying cars to Ford from a newly-completed plant at Flat Rock, Michigan.

Half the Mazda-developed cars are supplied to Ford for sale as Fords, and the rest are sold as Mazdas. The plant will produce 240,000 cars a year at full capacity in the 1990s.

Analysts said that the new agreement for joint development marked a closer stage of co-operation between the companies. If the companies decided to manufacture the car, it could well be built at Flat Rock. Mazda had particular expertise in engine development. Like other Japanese manufacturers it also had better experience than most US car makers of developing small vehicles, said the analysts.

In other co-operation agreements involving Japanese manufacturers, Ford is studying making leisure vehicles jointly with Nissan, Mitsubishi Motors has a link with Daimler-Benz of West Germany, and Toyota has and agreement with Volkswagen of West Germany.

Crash may hit US pulp industry

BY JAMES BUCHAN IN NEW YORK

LAST month's stock-market crash could claim one unlucky victim: the US pulp and paper industry, which is in the middle of its first sustained recovery for a long time.

After the best part of a decade of weak prices and gnawing foreign competition, mills are working at full capacity, markets are being reconquered, prices are up sharply from their 1985 trough, and profits are going through the roof.

The industry is poised to launch its largest capital spending programme since before the recession of the mid-1970s.

"The industry's current operating environment could not be much better," said Mr Mark Rogers, an analyst at the Wall Street securities firm of Prudential-Bache.

Up to last month, the industry was sending out some of the most troubling inflationary signals of any part of the US economy. Nobody worries about inflation now. The fear is that the stock market crash on October 19 heralds a recession which will send paper prices and production tumbling.

Industry executives report no signs yet of a loss of confidence. "There is, as yet, no evidence of any major build-up of inventories at either paper and allied product mills and plants, or at user levels," says Mr Red Cavaney, president of the American Paper Institute. "It's just too early to know," said another industry executive.

This week, Mr Cavaney presented the institute's annual survey of US pulp and paper-making capacity and it showed an industry in the peak of health. Production of paper and paperboard is likely to top 74m tons this year, an increase of 4.4 per cent over 1986.

More important, the weakening of the dollar has allowed the industry to raise prices without fear of being undercut from overseas. Sales revenues will be up a full 15 per cent at around $86bn. Profits in the first half were already 46 per cent ahead of the year before, according to the Commerce Department.

Exports, at 4.5m tons, are up about 10 per cent because of the weakening dollar, even if imports continue to bulk large in the market.

The share of imports has been steady at about 14.5 per cent for the past three years, largely because Canadian newsprint producers enjoy the same currency depreciation as their US neighbours. But European producers have been losing out in higher-value printing and writing grades.

This year, the industry has felt good enough about prospects to add some 2.2m tons of capacity, or a further 3 per cent, for its largest addition in 14 years.

According to interviews conducted by the Institute, the industry is planning to spend about $8bn a year to 1990 to build new mills and machines and improve others for a net gain of 6m tons.

"If these gains are achieved," Mr Cavaney said, "the productive potential of the industry will grow at an average 2.5 per cent, a higher rate of growth than the 2.3 per cent annual average over the prior 10 years."

The lion's share of the new production will go into newsprint - where two completely new mills are planned - and printing and writing papers. But what happens to these grand projects is anybody's guess.

Nevertheless, the stock market is sending gloomy messages about prospects for the industry. Stocks of many companies, such as International Paper or Bowater, are down about half from their peak for the year.

Italians win telecom orders in Mexico, US

By Alan Friedman in Milan

TELETTRA, the Fiat data transmission subsidiary, yesterday announced that it had won two important orders to supply telecommunications systems in Mexico and the US.

The first order is a L35bn (£16.4m) contract from Telmex, the Mexican telephone concern.

This multi-year contract calls for Telettra to supply radio-bridge and fibre-optic systems and to supervise installation. Telmex will be using Telettra products to expand and modernise its telecoms network in Mexico. The Fiat subsidiary has had dealings in Mexico for 20 years.

In the US, Telettra has won a $20m contract from Telwes, an independent telecoms company. The order from Telwes calls for the Italian company to supply digital fibre-optic equipment and small-to-medium capacity radio-bridge transmission systems.

Indonesia to renew Swiss customs link

INDONESIA is to renew its contract with Societe Generale de Surveillance (SGS), the private Geneva-based customs inspection services company, in a move which will give heart to trade reformists within President Suharto's Government, **Reuter reports from Jakarta.**

The decision, announced to parliament by Mr Rachmat Saleh, Trade Minister, yesterday, is broadly welcomed by Indonesia's business community, which has reported a dramatic reduction in trading costs as a result of SGS's "comprehensive import supervison scheme."

The renewal comes as Indonesia's non-oil exports, and in particular its shipments of manufactured products, have shown steady gains, prompting Dr Ali Wardhana, Economics Minister, to predict last week that GDP growth in 1987-88 could exceed 4 per cent.

GDP growth in 1986-87 was less than 3 per cent.

Lisbon deficit up 71%

BY PETER WISE IN LISBON

PORTUGAL'S trade deficit increased by 71 per cent in dollar terms in the first nine months of 1987, compared with the equivalent period last year, the National Institute of Statistics announced.

The deficit, one of the most vulnerable areas of the country's rapid economic growth over the past two years, reached Es 433.8bn ($1.8bn) in September, representing an increase of 63.2 per cent in escudes, the institute said.

Imports increased 30.3 per cent in value over the nine months period to Es 1,372bn. Export earnings rose by 19.4 per cent to Es 938.8bn.

Exports covered 68.4 per cent of the cost of imports, a decrease of 6.2 percentage points over the equivalent period last year.

TECHNOLOGY

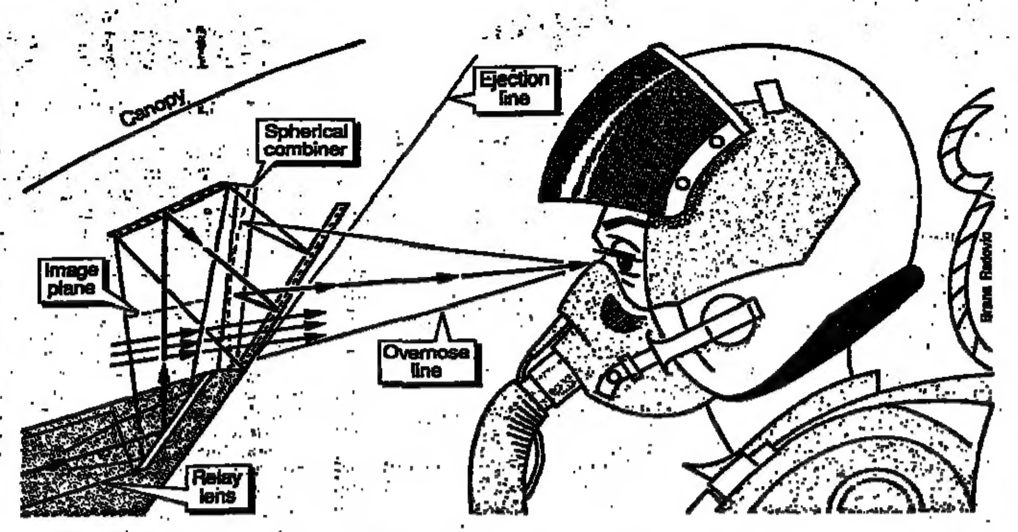
David Fishlock examines GEC's development of a head-up holographic display for fighter aircraft

Pilots get green light to fly faster and lower

THE STRAIN on the pilot is all too apparent in his laboured breathing. He is flying in darkness, very fast and very close to the ground. He peers straight ahead through his canopy at the eerie green image of symbols and labels which are all he knows of the world outside his cockpit. NO TURN tells him a mountain is looming away to his right; an urgent flashing, that he is losing height...

The pilot is flying a General Dynamics F-16 Fighting Falcon, equipped with a prototype of a new "black box" which allows him to fly his aircraft without ever looking down at his instruments or through the canopy at the ground below. He has been trained to accept - no easy task - that all the flight data he needs is being projected into his forward view, on an area of canopy no bigger than a chocolate box.

The black box which marshalls the flight data for him is a holographic head-up display, developed by the airborne display division of the UK's GEC Avionics at Rochester, Kent. It uses holograms to give the pilot the wide field of vision he needs for night and day navigation and target-finding in a high-performance fighter. A more conventional head-up display (HUD) offers too small a porthole through which to peer.



The holographic HUD, for example, gives him freedom to turn sharply at low level in safety, and to fly nearer the ground. GEC Avionics claims it will be the first such display to go into volume production.

On November 4 Sir Peter Levine, chief of procurement at the UK Ministry of Defence, officially opened the laser processing facility used to make holograms for a US\$72m(£50m) contract to provide the US Air Force with over 450 holographic HUDs.

"The holographic optics in this HUD represent less than 10 per cent of the cost. But without them there would have been no order," says Robin Sleight, general manager of the displays and guidance systems group.

In Sleight's opinion, the company took a "monumental risk" in trying to develop holographic optics. Yet it proved the factor which finally earned the order because there is no other way of giving the pilot a sufficiently wide field of vision.

Holography was invented by the late Professor Dennis Gabor in 1947, and won him a Nobel Prize in 1971. He was working in what was then the research centre of British Thomson-Houston, on the problem of improving the resolution of the electron microscope. Through holography he hoped to record the wavefront with electrons, reconstruct this wavefront with light, then correct the optical aberrations optically to give a better performance.

Unfortunately, it never worked, says Ken Firth, who worked with Gabor at the time, and who today is group leader of the GEC Avionics data presentation group, a team of six scientists studying advanced cockpit displays at GEC's central laboratories, Great Baddow, Essex.

Holography was hobbled until the invention of the laser in 1960, as a far more powerful source of coherent light than was available to enhance Gabor's early experiments. By 1970, GEC scientists were demonstrating holographic displays for a subsidiary (Claudgen). These operated as changeable road signs, providing such data as speed restrictions.

In the late-1970s GEC's airborne display division began to take holographics seriously as a way of widening the HUD's field of vision. A US defence development programme called Lantirn (low altitude navigation and targeting by infrared at night) was establishing that a wide field of vision would be essential for the next generation of fighters.

For GEC Avionics, as a successful exporter of HUDs to the US, the new challenge was to engineer this feature into a black box which would fit into the F-16 cockpit.

Firth's team came up with the answer once it realised that it could make holograms which behaved like mirrors - reflective holograms. In effect, such holograms are semi-silvered mirrors.

Although made from conventional optical coatings, these holograms will reflect a specific wavelength (colour) of light, namely that of the green phosphor of the HUD's cathode ray tube. They reflect this colour at about 90 per cent of full efficiency. At the same time, white light is transmitted by the same optics, again with an efficiency of about 90 per cent.

Firth found such holograms capable, over a limited range of angles, of switching from reflecting almost all the green light to transmitting nearly all this light. In other words, for some angles a green ray reflects from the hologram, while for other angles it passes straight through, unimpeded.

The cathode ray tube projects the flight data in green symbols into the pilot's field of vision - just as in an ordinary HUD - except that he has a 30-degree view instead of only 20 degrees. Other information - NO TURN, for example - is overwritten in white on this data during the flyback period of the tube.

The upshot is a compact HUD which still fits in front of the pilot, inside the canopy. One GEC Avionics executive says it can justifiably be claimed that "it's all done with mirrors."

At Rochester, the mirrors developed by Firth - three for each HUD - were engineered, without modifications, into a system to fit into the F-16 cockpit. Not least of the problems was to make the mirrors resistant to birdstrikes, a particular hazard for fast, low-flying aircraft.

Initially, Pilkington, the UK glass manufacturer, furnished the holograms, sandwiched between perfect plates of glass; a total of 30 prototype sets of optical elements for the Lantirn programme.

However, at Rochester GEC Avionics was investing in a £1m laser processing facility to make production holographics. "The holographic HUD has been almost entirely a private research and development investment by GEC Avionics," says Ron Howard, managing director. Such a black box costs between \$150,000-\$200,000 to buy. Although his company has won business worth £50m overseas, it has orders worth only about £1m from the UK Ministry of Defence.

In the US, the holographic HUD has made over 1,800 flights, under environmental conditions ranging from the Arctic to the tropics.

Howard sees it as demonstrating a novel "enabling technology" which his company will exploit more widely.

WORTH WATCHING

Edited by Geoffrey Charlish

Soldiering towards indoor war games

THE COST of training infantrymen in the use of ground-to-air missiles has been reduced by the Army Weapons Division of British Aerospace.

Instead of the costly realism of a battlefield training ground, a BAe team at Stevenage in the UK has developed the Microdome.

Inside this 10-metre diameter, 5.6-metre tall dome there is, claims the company, virtually no difference between the training environment and actual combat conditions.

The soldier's visual and aural surroundings are reproduced to left and right around 75 per cent of the dome's inside surface using scenery projectors and loudspeakers.

A computer-driven laser projector, designed by PA Technology, the UK research group, produces images of approaching enemy aircraft which the soldier attempts to "bring down" using his weapon. High-speed computer graphics generate target and missile images in full moving realism, with clear indications of the missile flare and any hits scored.

Several targets can be simulated at the same time, with a number of different weapons systems and a variety of terrains. An instructor's console allows the exercise to be planned in advance, kept on disc and played back as necessary. A printed assessment of the student's session is provided.

Microdome can be erected easily in hanger or drill hall and can be made fully operational in four or five days.

Solid answer to an inky problem

THE IDEAL office computer printer would be one that prints a page in no time at all, produces no noise, mess or heat, gives crystal clear characters, cares little about the kind of paper used, is dirt cheap and never goes wrong.

Although that may be asking rather too much of the designers, US company Dataproducts of Milford, New Hampshire, seems to be pointing in the right direction with a new ink jet printer that uses solid ink.

Ink jet printing has the important advantages that there are no impacting mechanical parts to make a noise and that any kind of character or image can be printed. The principle is that the extremely small drops of ink released are electrically charged and then, with the aid of a computer controlled electric field, are made to land at an exact point on the paper to form characters.

In theory, any kind of surface can be printed on but, according to Dataproducts, there are limitations with liquid inks, whether they are based on water or oil. The former, with some print heads, tends to dry out, clogging the nozzle, and the ink can spread out into the paper fibres to give ragged results. With oil-based inks, the drying time varies, giving variable quality.

Dataproducts' new machine uses an ink which is solid at room temperature. It is heated to allow drop formation, but when it hits the paper it penetrates enough to give adhesion and then goes solid again, obviating all spreading problems. A quality bonus is that the lettering is slightly raised, in the manner of an embossed business card.

The Dataproducts machine, SI 480, can produce a high quality business letter on A4 paper in less than 25 seconds.

The bar goes up on lost luggage

AIR TRAVELLERS before long will notice that the destination label tied to the handle of their baggage carries a bar code, in the interests of automatic baggage handling.

A handful of such systems is already in use in the US, and Logan Fenamec, the UK handling equipment company of Hull, has been working with British Airports Services to perfect such systems.

Eventually, tying the label to the handle will be the last touch of a human hand in airport baggage handling. The Logan Fenamec system will separate the pieces of labelled luggage to allow a six-laser scanning system to read the tag, regardless of its position.

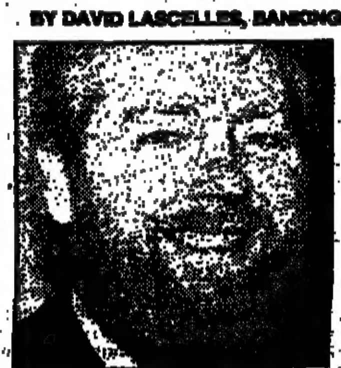
Then, each piece of luggage will be pushed on to its own tilt tray on another conveyor line, and sent on its way to an array of sorting chutes.

The computer controlling the system remembers which piece of luggage is on which tray and tips it into the appropriate flight destination chute.

CONTACTS: British Aerospace: UK, 0438 312422. Logan Fenamec UK, 0482 781211.

Soft route to full financial profiles

BY DAVID LASCELLES, BANKING EDITOR



Bill Murphy, chairman of Third Wave Systems

THIRD WAVE Systems, a computer software and consultancy company, has begun marketing TAMAR, a retail financial services system package developed by Western Trust and Savings, the Plymouth-based banking group.

The chairman of TWS is Bill Murphy who recently resigned from Western Trust and Savings where he was managing director for two years.

While at Western, Murphy sold TAMAR to Citibank Savings, the UK arm of Citicorp, the large US commercial bank. He says he expects to announce a further sale this month. TWS is also in discussions with a number of other financial institutions including a life assurance company, a clearing bank and a building society.

Murphy claims that TAMAR is a unique UK-designed product insofar as it provides financial service company users with a complete picture of their relationship with a particular client: the loans, deposits and other connections. It costs up to £1.2m depending on the number of applications required.

TWS was founded by Bill Murphy in 1984 and it now has Hambros Bank as a 24 per cent shareholder.

APPOINTMENTS

Australians join Northern Bank

Mr N.R. Clark, managing director of National Australia Bank, has been appointed to the board of NORTHERN BANK, Belfast. This appointment follows completion of the acquisition of Northern Bank, Northern Bank (Ireland), and Clydesdale Bank by National Australia Bank. **Mr R.P. Hefron**, managing director of National Australia Finance (UK), the newly-established UK holding company through which National Australia Bank's interest in the three banks will be held, is also joining the Northern Bank's board.

★

Mr Peter Kinnaird has been appointed marketing director of TOZER VEHICLE SERVICES, Dover, which operates Alfa Romeo (GB) and Daihatsu (UK). He joins on December 1 from BMW (GB) where he was marketing manager.

★

Mr Nigel Bernard has been appointed marketing director of The Private Capital Group, the personal financial management specialist arm of the SCANDINAVIAN BANK GROUP. He was marketing and broker sales director of Crown Financial Management.

★

Mr Andrew Lewis has been appointed to the board of GT MANAGEMENT (ASIA), with responsibility for retail sales and marketing in Hong Kong and South East Asia. He has been with the company nearly six years.

★

Mr Tony Garner has become chief executive of WINCHMORE. He was group chief executive of Henry Sykes group, and masterminded its sale to SPP.

★

BMP BUSINESS has appointed **Miss Jocelyn Horsfall** as director of planning and research: She joines from Leo Burnett where she was on the board as deputy head of planning.

★

Mr Ian Howat has been elected chairman of the BRITISH CONSULTANTS BUREAU - the first chartered surveyor to take the post. He a senior partner in Franklin & Andrews.

★

Dr Keith Mashiter has been appointed chief executive and general manager of SERONO DIAGNOSTICS (UK), Woking. He was operations manager in the clinical reagents division at Amersham International.

★

Mr Peter Prowse has been appointed to the board of GOOD RELATIONS, part of the Lowe Bell Communications Group. He was a director of US-based Gavin Anderson & Co. Appointed associated directors are: **Mr Nicholas Jones**, who joins from Conoco Inc., where he was co-ordinator, government affairs; and **Mr Martin Roche**, on promotion from account director.

★

Mr Frank B. Taylor has been appointed a director of PHILIP HARRIS HOLDINGS. He will continue as group company secretary.

★

Mr Tom Quinn has been appointed a director of BARCLAYS DE ZOETE WEDD, and Barclays de Zoete Wedd Securities. He was a director of Greenwell Montagu.

★

Mr David J. Duncan has been appointed a director of GLOBE MANAGEMENT, a subsidiary of Globe Investment Trust. He was a director of Schroder Investment Management.

★

Mr Richard Brook has been appointed managing director of SIRA, Chislehurst. He was elected to the board in 1983 and succeeds **Mr Terry Flanagan** who has retired. Mr Brook also becomes chairman of subsidiaries Ometron and Image Automation, and a non-executive director of Sira Safety Services.

★

Mr Bill Williams has been appointed director of corporate communications of the PA CONSULTANCY GROUP.

★

Mr Derek Cornish, with the group since 1959, becomes deputy managing director of Sira, and chairman of Sira Safety Services.

LEP Group changes

LEP GROUP has appointed **Mr Horst Schumacher** to the new post of chief executive, worldwide freight forwarding operations, from January. He will based at the group's headquarters in Epsom. Mr Schumacher has been chief executive of the Pacific Basin. **Mr Keith Studer** is moving to Hong Kong as chief executive, Pacific Basin, in succession to Mr Schumacher. **Mr Jack Wasp** has been appointed managing director of LEP International (UK). The group has reached agreement to acquire Profit Systems, Australia. In June LEP took a controlling interest in Profit Systems Inc, US freight forwarders. **Mr Doug Russell**, chief executive of Profit Australia, is to be chairman of all LEP's interests in Australia and New Zealand.

★

Mr Jonathan Eardley has been appointed director of operations by the NATIONAL INVESTMENT GROUP, stockbrokers. He will be responsible for information technology, settlements and back office systems.

★

Mr John Carrington, director of British Telecom mobile communications, has been elected president of the BUSINESS EQUIPMENT & INFORMATION TECHNOLOGY ASSOCIATION.

CONTRACTS

Retail and business park at Epsom

THE J.M.JONES CONSTRUCTION GROUP, Maidenhead, has won contracts totalling over £21.5m.

The largest single order, with a value of £10m, is to build a retail and business park at Kiln Lane, Epsom, Surrey, for Peel Investments (UK).

The 44-week contract entails construction of a retail park of 124,675 sq.ft. comprising four warehouses, a restaurant of 4,500 sq.ft., a manager's office and 626 car parking spaces; and a business park providing a two-storey high-tech unit of 40,000 sq.ft., three industrial units totalling 40,000 sq.ft. and 275 car parking spaces.

The company will build the entire scheme on foundations of dynamic compaction, bored piles and reinforced concrete suspended beams and slabs. The development will be clad in combination brickwork and glazing/curtain walling on a steelframe. All roofs will be metal deck, except for the office which will have a tiled roof.

Markham Developments, a wholly-owned subsidiary of the group, has teamed up with Pos-Tel to develop a £7.5m industrial/warehouse scheme on a 5.5 acre site at Wade Road, Basingstoke.

To be known as the Lodden Centre, the 116,000 sq.ft. project will provide units ranging from 5,100 sq.ft. to 37,000 sq.ft.

The Imperial College of Science and Technology has awarded a £2.18m contract to construct three 3-storey laboratory buildings at the Gardenwood Laboratory complex at Buckhurst Road, Ascot. The 45-week contract entails constructing the buildings on mass concrete foundations with brickwork cladding on a steel frame.

★

TAYLOR WOODROW CONSTRUCTION (SCOTLAND) has a contract worth £3.8m from the East Kilbride Development Corporation to build 143 two-storey houses at Whitehills. The houses will be of common brickwork and stud partitions internally and facing brick externally, on concrete strip foundations. Roofs will be timber truss with concrete interlocking tiles. Work has started for completion in February 1989.

★

ASHBY & HORNER has won a £2m package of building works for the new Financial Times printing facility at Leamouth Road, off East India Dock Road in London E14.

The contract, due for completion at the end of next June, comprises brickwork and blockwork, floor and wall tiling, grano and plastering, decorations, partitions and joinery.

Chemical agent monitor order

GRASEBY IONICS, a company in the defence and instrumentation division of Cambridge Electronic Industries, has been awarded a contract worth over £11m by the Canadian Department of Supply and Services for the supply of chemical agent monitors (CAM) together with peripheral equipment. This follows several years' work by Graseby and the Canadian Department of National Defence on the testing and evaluation of the CAM monitor. The equipment has already been ordered by the UK Ministry of Defence and the US Army, confirming the commitment of major NATO countries to the CAM monitor.

£6m orders for Hewgate

Contracts worth over £6m won by **HEWGATE CONSTRUCTION** include industrial and commercial premises and speculative development schemes for developer S.T. Martin in Welwyn Garden City, a multi-storey office block in High Wycombe for Firstland Properties and 25 freehold industrial units for Craighill Developments in Aylesbury. Hewgate has also secured a contract with Wycombe District Council for expansion of its combined services department.

MINISTER PLANS MEASURES TO TACKLE LONG-TERM UNEMPLOYED

Further sharp drop in jobless total

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

MR NORMAN FOWLER, the Employment Secretary, yesterday announced a further sharp fall in Britain's jobless total last month, and said that he was planning measures to tackle the high rate of long-term unemployment.

Official figures from the Employment Department show that the seasonally adjusted total of people eligible for unemployment benefit fell by 58,000 in October to stand at 2.715m.

It was the 16th consecutive monthly fall and the number of claimants is now 497,000 below its peak in June 1986.

On the basis of calculation introduced last year, the unemployment rate, at 9.8 per cent, has fallen below 10 per cent for the first time since July 1982.

Government statisticians believe that the underlying pace of fall in the numbers out of work is now around 50,000 a month.

Mr Fowler predicted further reductions over the coming year, although he said it was impossible to judge whether the present pace of the downward trend would be maintained.

"The employment position is exceptionally strong. We are going to see a continued fall in unemployment," he said.

The Government was particularly encouraged by a sharp drop in the number of young unemployed and by the fact that Britain's jobs performance had been significantly better than that of many of its major competitors.

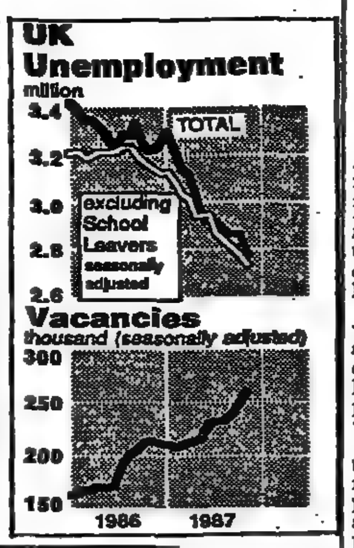
The number of vacancies recorded at Jobcentres had also risen by 25 per cent over the last year.

For the future, Mr Fowler said that the main priority would be a reduction in the number of people out of work for a year or more, who currently account for over 40 per cent of the total.

In an unusual appearance at the monthly briefing for journalists on the official figures, the Employment Secretary said he expected to unveil proposals to tackle long-term unemployment within the next few weeks.

He would give no details of the plans, but suggested that they would be based on providing more training opportunities linked to the present Restart programme.

Mr Michael Meacher, the Labour party's employment spokesman, welcomed the latest fall in the total, but said that even on the Government's "spurious" basis the jobless rate was over twice the 4.3 per cent rate it had inherited in 1979.



Law on secret union ballots to be widened

By Philip Bassett, Labour Editor

LABOUR PARTY leaders yesterday accused the Government of considerably extending the provisions in its new Employment Bill on secret ballots before industrial action.

Mr John Cope, employment minister, told the House of Commons standing committee on the bill that the clause enabling union members to demand secret ballots before strikes would also apply to overtime bans and go-slows.

He said because the definition of industrial action included interference with the performance of an employment contract, as well as the contract itself, such action as an overtime ban would be included.

Mr Michael Meacher, Labour's employment spokesman, described this as an "astonishing extension," because overtime was not covered by employment contracts.

Labour forced a division on the issue, but lost 10-5.

The Government - which does not accept Labour's claim that this is a new extension - disagrees with this view, and recent case law seems largely to support this.

A law lords' ruling in March decided that a Wakefield registrar had rightly had his pay docked for refusing to work on a Saturday, and a 1983 case concerning workers at a container company agreed that workers banning overtime did amount to industrial action.

Unions angry over sharesave scheme at British Telecom

BY PHILIP BASSETT, LABOUR EDITOR

BRITISH Telecom's new share-saving scheme for its employees has angered unions because of the company's refusal earlier this year to pay share dividends to workers following their pay strike.

BT's offer of a sharesave scheme, under which employees save money regularly and then after several years are able to buy shares at the agreed offer rather than market price, came with a letter to all employees from Mr Iain Vallance, the company's new chairman.

BT's union officials - who opposed the original shareholdings offer to employees when the company was privatised only to see 96 per cent take it up - acknowledge that despite the company's action after the pay strike, union members are likely to take up the new share scheme offer.

They recognise that many employees will judge that after the world stock market crash the BT share price is likely to have risen considerably by the time the share scheme is due.

BT's share price closed last night at 232p, down from 280p before the plunge in the markets.

Mr. Vallance's letter to all 234,000 BT employees included an option to buy BT shares in five years' time at a price which is 10 per cent below the market value at the time of the offer.

Employees must save a fixed amount of between £10 and £100 monthly with the Halifax Building Society under a save-as-you-earn (SAYE) contract. At the end of an agreed period, employees will be able to use the savings plus the tax-free SAYE bonus to buy some or all of the shares under option.

BT had two previous schemes covering 1985 and this year. In the first, 83,000 employees were granted options, covering 113m shares, while in the second 14,688 options were granted, covering a further 15m shares.

Under the new scheme, applications must be lodged in January.

Mr Vallance acknowledged the recent criticisms of BT but says that with all employees working together, the company's current position amounts to "an opportunity, and a challenge that we must accept and I am confident and determined that we will succeed."

Engineering union membership slides

BY OUR LABOUR STAFF

MEMBERSHIP of the Amalgamated Engineering Union, Britain's second largest union, is set to fall by almost a further 60,000 this year in a move which will have a considerable impact on overall union membership and density figures for 1987.

AEU leaders expect that the union's membership of 857,559 at the start of the year to have fallen by end-1987 to about 800,000.

This decline of almost 7 per cent comes on top of a fall last year of 117,345 members - making a cumulative total for the two years of about 175,000 members, or 18 per cent of the total.

AEU officials are braced for a further fall next year of about 50,000, pushing the union down to about 750,000 - a decline over the three-year period of about 200,000 in all, or some 23 per cent.

While some of the decreases stem from continuing job losses in manufacturing, others arise from a winnowing-out by AEU leaders of lapsed or otherwise defunct membership roll entries.

This year's decrease, which may see the GMB general union take over as Britain's second-largest, seems certain to push the overall membership of Trades Union Congress-affiliated unions close to the 9m mark.

In Brief

Car plants back in business after strike

PRODUCTION at Vauxhall Motors and the majority of Ford Motor Company car plants resumed after Tuesday's industrial unrest, which was unprecedented in recent years, Jimmy Burns writes.

Only Ford's Halewood plant was still disrupted by industrial action. Supervisors there are continuing their strike until Monday over the company's plans to change their role at the workplace.

Both Vauxhall and Ford said that they were waiting to resume negotiations on their disputed pay offers which are linked to significant changes in working practices.

Secrets Act reform

Mr Leon Brittan, the former UK Home Secretary, called on the Government urgently to reform the Official Secrets Act which he said was at present "a dangerous smokescreen for those whose aim is to damage our national interests."

Rich harvest

A 150-foot vegetable patch on the south coast of England was sold for more than £50,000. The sale - accompanied by planning permission for a two-bedroomed bungalow - was the product of a boom in the demand for building land.

Strike hits Labour HQ

The Labour party headquarters was brought to a standstill when members of the National Union of Journalists staged a 24-hour strike and picket over redundancy payments for sacked journalists on Labour Party weekly, which closed down last week.

Britons £4,500 in red

The average family in Britain owes £4,500 excluding mortgages, and credit card lending in the UK topped £5.2bn this year, compared with £2.1bn in 1982, according to a survey published by Familybase, a charity organisation.

State schools 'at risk'

The Government's education reform plans are the first step to complete privatisation of state education and will lead to the introduction of partial fee-paying in state schools, Mr Jack Straw, Labour's shadow education minister, said.

Scargill throws down the gauntlet

BY CHARLES LEADBEATER

"HE IS brave but crafty," commented one member of the National Union of Mineworkers' executive after Mr Arthur Scargill, the union's left-wing president, had told the executive that he was volunteering to stand for re-election.

Brave because Mr Scargill, whose authority has increasingly been undermined by opposition on the executive, does not have to stand for re-election. Crafty, because Mr Scargill stands a good chance of winning, and thereby reasserting his authority.

Mr Scargill has called his opponents' bluff by challenging them to back a candidate against him. The strength of their opposition, which so far has mainly come from leaders of the union's constituent areas, will be put to the test among the union's approximately 100,000 members.

Mr Scargill, elected in 1981 by 70.3 per cent of those voting, is gambling that the opposition of leaders from areas such as South Wales and Scotland, is not shared by their members.

Why has Mr Scargill chosen this time to hand in his notice and stand for re-election? He does not have to seek re-election because in the aftermath of the 1984-85 pit strike the union changed its rules removing the president's casting vote on the executive committee.

This allowed Mr Scargill to escape the provisions of the 1984 Trade Union Act which requires all voting members of ruling union executive committees to submit themselves for periodic re-election.

The ostensible reason for his decision is that the union's national conference this summer supported a motion moved by the Scottish NUM, which set in train a review aimed at drawing up a procedure under which all significant union officials would have to stand for re-election.

His position was also under pressure from the Government which partly framed its Employment Bill, published last month, with the aim of forcing the miners' leader to stand for re-election.

However, the NUM's legal advisers recently told Mr Scargill it was impossible to change the union's rules to compel a union official to stand for re-election if he had originally been elected for life. But they said it was possible for an official to resign and stand again.

Launching his campaign with a press conference in his Sheffield office yesterday Mr Scargill said he had a moral duty to stand.

But the real reason for his decision is political. Since the end of the 1984-85 strike the left-wing alliance which brought him to power has broken apart.

Over the past year Mr Scargill has been stymied by outright opposition from former supporters over his approach to a range of issues from wage negotiations, the introduction of flexible working and the union's current industrial action over British Coal's disciplinary code.

This opposition has blocked Mr Scargill but it has yet to cohere into a strategic challenge to his leadership. He clearly hopes a resounding victory would give him the authority to determine union policy over the next couple of years.

Mr Scargill will attempt to use the election as a referendum on the future direction of the union in which he will hope to defeat decisively the so-called new realism which he has consistently criticised.

Will the gamble work? The union's electoral terrain has been transformed in the six years since Mr Scargill's election. Then the NUM had more than 180,000 members; by the end of this year its membership could be down to about 90,000. Most moderate miners in Nottinghamshire, who voted heavily against Mr Scargill in 1981, have left.

But the election hinges on two factors. First, the votes of the 32,000 Yorkshire miners who make up about one-third of the union. Whoever wins Yorkshire's backing will almost certainly win the election.

Second, whether the opposition made up of traditional right-wingers and soft left leaders can unite behind a single candidate. Mr Scargill is almost certain to win against a split opposition.

Nirex may store nuclear waste deep underground

BY MAURICE SAMUELSON

BRITAIN'S nuclear industry yesterday said it was considering building a permanent storage site for radioactive waste up to 1,000 metres below the earth's surface.

The site, to be built for roughly £1bn on land, at sea or on the coast, would be used for intermediate and low-level waste which has been accumulating for several years as well as for fresh debris from the nuclear industry.

Nirex, the radioactive waste agency, outlined the scheme in a document, The Way Forward, on which it called for widespread public discussion before deciding whether to recommend it to the Government. It has printed an initial 10,000 copies and wants to hold "round-table" discussions with local authorities, trade unions, the public and special interest groups.

Anti-nuclear groups immediately attacked the document as biased, and alleged that the deep-level site would also be used for more dangerous high-level waste and not only for less radioactive materials.

The discussion document contains a map of Britain indicating extensive onshore and offshore areas, especially in north-west England and East Anglia, with the most suitable geology for safe, long-term storage.

They embrace Cumbria and its Sellafield site where British Nuclear Fuels recently confirmed it wanted to start appraisal drilling for a deep disposal facility.

The discussion document follows Nirex's decision, last May, to halt development of a shallow storage site following strong opposition and cost problems.

Mr John Baker, Nirex chairman, who is also corporate managing director of the Central Electricity Generating Board, said that large-scale storage facilities would be needed for accumulated waste even if Britain's nuclear programme were to be phased out.

"There is a recognised need, reflected in government policy, to establish a permanent, safe disposal facility which will remove from future generations any burden of management of current accumulations and future arisings of such waste. The provision of a facility deep underground will do this."

The facility would be constructed between 200 and 1,000 metres below ground.

The three options were:

- A deep-mined cavity under land.
- An offshore, sub-seabed cavity reached by tunnels from a coastal location.
- A sub-seabed cavity reached from the sea surface by a drilling platform or an artificial island.

Increase in foreign aid 'a turning point'

By Peter Montagnon, World Trade Editor

THE REAL increase in Britain's aid programme announced by the Government in last week's Autumn Statement marks an "important turning point," Mr Christopher Patten, Overseas Development Minister, said yesterday.

The increase, which will take aid spending from £1.24bn this year to £1.42bn in 1990-91, means aid is set to increase in real terms after a period of stagnation. This will allow the UK to make more bilateral aid available to developing countries, he told a construction industry lunch.

In his first detailed comments on the increase, Mr Patten said the strength of the economy justified an increase in the aid programme, but he made it clear that the simple availability of extra funds did not mean that aid could become more commercially orientated.

None the less, Mr Patten went out of his way to show some sympathy with exporters whose international competitors benefit from the aid programmes of other Governments. "It is difficult to avoid the conclusion that some of our main competitors simply have more aid to be commercially-minded about," he said.

Financing infrastructure projects was an important way of alleviating poverty, he said. However, the developmental, political, commercial and political objectives of the aid programme could not be put into separate compartments.

"I am concerned to establish a broader constituency for the aid programme. I am all for a public debate - but a constructive one, which will strengthen support for a quality aid programme not fracture or weaken it," he said. Industry, government and private charitable organisations had a partnership role to play in this.

He was replying to criticisms from Mr Don Holland, chairman of Balfour Beatty, who told the lunch that Britain's aid budget was "still embarrassingly low."

It would be in Britain's self-interest to increase the amount spent on financing contracts in the developing world. Every extra £100m would produce 20,000 jobs at a cost much lower than conventional employment schemes.

The productivity of British construction companies was higher than that of their counterparts in Japan, he said.

They could compete satisfactorily in developed country markets but not in the developing world where aid finance was available.

The Japanese Government pays the bidding costs of companies seeking World Bank supply contracts, while Denmark left it up to industry to organise support for developing countries. This was because these countries saw aid more in terms of economic cooperation than handouts, he said.

French company to pull out of plasterboard market

BY ANDREW TAYLOR

LAFARGE COPPEE, the large French building materials manufacturer, is to withdraw from the £250m-a-year British plasterboard market.

The British market is facing increased competition following a decision by Redland, the British building materials producer, and CSR, the Australian building materials, resources and sugar group, to establish a joint venture to make plasterboard in Britain using imported raw materials.

In a separate move, Eternit TAC, the Belgium affiliate of Compagnie Financiere Eternit of Switzerland, is next week to start importing plasterboard from Belgium into Britain.

BPB Industries holds a virtual monopoly on British sales of plasterboard. Its only real competitor in recent years has been Lafarge, which last year imported about 2.3m sq metres of plasterboard into Britain, compared with total British sales of 136m sq metres.

Lafarge, in a letter to British customers, says it has decided to run down its plasterboard operations next year because of "recent announcements concerning the future development of the gypsum plasterboard industry in the UK; and the problems which our company has to provide sufficient material for the needs of our clients in a period of strong demand in northern France and England."

It had previously proposed to open a manufacturing plant in Britain. This plan had been delayed by Lafarge's decision two years ago to restrain capital expenditure in order to reduce group borrowings. Lafarge, France's biggest cement manufacturer and second-largest plasterboard producer, says it will maintain British supplies of plasterboard "for as long as our customers need to adjust to an alternative supplier."

It intends to continue to develop sales of plaster of Paris powder in Britain, particularly sales of special industrial powders.

Eternit TAC (in which Turner & Newall holds a 49 per cent stake, which it must dispose of to Eternit within four years) says its first boatload of 0.5m sq metres of plasterboard will land at Mistley, near Colchester, Essex, next week.

It plans to sell 2m to 3m sq metres in Britain next year, building up to 10m sq metres by 1990. It proposes to use imports as a platform from which to open a British plasterboard manufacturing plant.

Initially, plasterboard will be supplied from a Belgium factory near Antwerp owned by Gyproc Benelux in which Eternit says it holds a controlling interest and in which BPB Industries has a 44.9 per cent stake.

Heathrow rail link plan put to ministers

By Lynton McLain

BRITISH RAIL and BAA, formerly the British Airports Authority, put joint proposals to the Government yesterday for a £160m express railway link between Paddington Station and London Heathrow Airport.

The proposal is in response to a report published in the summer by *Howard Humphreys*, consultants, for the Transport Department. This concluded that a rail link would be the best way to help improve access between Heathrow and central London.

The journey would take fewer than 20 minutes. The link would be able to handle 10m passengers a year, with trains every 15 minutes. BAA wants to be the leading private-sector company involved in the project.

Broker to serve small investors

MIDLAND BANK is to set up Midland Stockbrokers, a "back office" settlement service to execute deals for small investors.

The firm has been registered with the Stock Exchange. Its services will be phased in to Midland's branch network by the middle of next year. The cost of transactions will be based on the standard commission structure, starting at 1.5 per cent for the first £7,000 with a minimum of £20.

VAT loophole to be closed

DIRECTORS of large companies are to lose a VAT loophole which has allowed them to benefit from improvements to their private property carried out by their companies.

Large companies are allowed to offset VAT paid on such improvements against VAT they charge their own customers - a course of action not open to small companies under HM Customs & Excise rules. The loophole, which will end on April 1, 1988, extends to all repairs, maintenance and improvements paid for by the company on behalf of its director.

Teesside job creation plan

THE FIRST big job creation proposal for Teesside's new urban development corporation was revealed yesterday as an £80m scheme for a retail, hotel, conference and leisure complex.

The developer, Brookmount, a Mayfair-based property company, submitted the scheme for planning approval, claiming it would create 2,000 jobs. Brookmount was floated on the USM last year with assets of £7.6m. It is now capitalised at £60m

Chief cashier for Bank

THE Bank of England is to have a new chief cashier - the man whose name appears on UK bank notes. He is Mr Malcolm Gill, 53, currently head of the Bank's foreign exchange division.

Cambridge-educated Mr Gill will take over from Mr David Somerset on March 1 next year. He has worked at the International Monetary Fund and the Treasury as well as the Bank.

Mortgage rates cut by two banks

By David Lascelles

TWO OF Britain's clearing banks, NatWest and Barclays, cut their mortgage rates yesterday, following the decline in interest rates that has occurred since the crash in the stock market three weeks ago.

NatWest, the largest bank lender to the home-loan market, is cutting its rate by 1 per cent to 10.25 per cent. This rate, equivalent to an annualised percentage rate of 10.9 per cent on regular mortgages, will apply to new mortgages from today and to existing mortgages from December 1.

Mr Roger Flemington, the general manager of NatWest's domestic banking division, said borrowers should benefit from the cut in time for Christmas.

Barclays is reducing its rate for new and existing borrowers by 0.95 per cent to 10.3 per cent from December 1.

The cuts parallel recent reductions in mortgage rates made by two leading building societies, the Halifax and the Abbey National, and are expected to be followed eventually by other home loanmakers.

BBC arts executives to head TV channels

BY RAYMOND SNODDY

THE BBC yesterday chose two of its young drama and arts executives to fill the two top positions on BBC1 and BBC2 television channels.

Mr Jonathan Powell, head of the drama group and series and serials, is to be the new controller of BBC1.

Mr Powell, who is 40 and joined the BBC from Granada Television, is the executive producer of The Perfect Spy, now running on BBC Television. His other programme credits include the Mayor of Casterbridge, Tinker Tailor Soldier Spy, Testament of Youth and Smiley's People.

Mr Alan Yentob, head of music and arts, is the new controller of BBC2. Mr Yentob, also 40, was a general trainee with the BBC who later worked on Omnibus from 1973 to 1975 and created the arts programme Arena. He has won the British Academy of Film and Television Arts best arts series award three years running and received an International Emmy award in 1985.

The two are seen as being among the most creative people in the corporation and it is unusual to have both television controller jobs filled by people with an arts and drama background.

The choices may reflect a desire to provide an entertainment counterbalance to the strong news and current affairs directorate being put together by Mr John Birt, the deputy director-general.

They will work with Mr Michael Grade, BBC Television director of programmes and managing director designate. The appointments take effect on January 1 next year.

Speculation will now intensify over who will fill the third top vacancy in British broadcasting - a chief executive for Channel 4 to replace Mr Jeremy Isaacs, who is becoming general director of Covent Garden opera house.

An announcement is expected by the end of this month with Mr Justin Dukes, the present managing director, and Mr Brian Wenham, former managing director of BBC Radio, seen as the front runners.

- Mr Patrick Cox resigned yesterday as deputy chairman and chief executive of Satellite Television, the company which operates Sky Channel, Mr Rupert Murdoch's European satellite television channel.

Move on engineering training

BY JOHN GAPPER

THE ENGINEERING Industry Training Board is to allow big engineering companies to assess their own training programmes, following opposition it met on trying to tighten its own monitoring procedures. The board is made up of trade unions, employers and educationalists.

Yesterday it decided to categorise companies it can exempt from paying a 1 per cent training levy into two groups, based on size:

- Larger establishments, employing more than 1,000 workers or which are owned by companies employing at least 5,000, will submit their own assessments of their training to the board, instead of being inspected by board staff.
- Smaller companies, which will continue to be directly assessed, will have two years to work towards new training standards, set by the board under the revised levy-exemption scheme which was criticised in consultation.

Mr Ashley Whittall, board chairman, said self-assessment might be seen as a concession to larger employers, but he believed it would make it slightly tougher for all companies to qualify for levy exemption from next year.

The proposal now needs approval by the Manpower Services Commission and the Government but is likely to be seen as a way to avoid conflict with employers such as Ford, Austin Rover, Vickers and Lucas.

The board covers 6,766 engineering establishments with more than 41 employees. Of these, 1,563, employing 737,590 people, will be eligible for self-assessment under the new guidelines.

Earlier this year, the board initially proposed three options for reforming training: a revised levy-exemption system, introduction of a system of levies and grants and replacement of exemptions by a non-returnable levy which would have funded board-directed training.

Power price row flares again

BY MAURICE SAMUELSON

THE ARGUMENT between industry and the Government over electricity price increases erupted again yesterday. Last week Mr Cecil Parkinson, Energy Secretary announced that electricity prices were likely to rise by 15 per cent in the two years beginning next April.

In a speech in London, Mr John Banham, director general of the Confederation of British Industry, said the prices now under discussion would still add more than £1bn a year to business costs at a time when major investment was needed.

He was speaking only four days after a meeting at which Mr Parkinson had calmed the CBI's fears that some heavy industrial consumers, such as steel, chemicals, plastics and paper plants, could face increases as high as 25 per cent.

Addressing the electricity industry's National Joint Coordinating Committee, Mr Banham yesterday said that, in spite of the reassurances for the intensive electricity users, the increases under discussion would still add more than £1bn a year to business costs at a time when major investment was needed and would "inevitably fuel inflation".

The CBI, he added, was "totally opposed" to anything which would put at risk British industry's ability to compete in tough world markets.

Announcing that the issue would be discussed at next week's CBI Council meeting, he challenged Mr Parkinson to answer "eight crucial questions" if the increases were to go ahead.

These are:

- Why had the target return for the electricity supply industry been fixed at 4.75 per cent in current cost accounting terms, equal to 16-18 per cent in historical terms?
- Why had recent events on the Stock Exchange not reduced the discount necessary to "sell" the industry?
- Why was the government seeking to underwrite past investment mistakes in electricity generation?
- Why was old plant being written off at the rate of over £1bn a year when the electricity industry had very little debt?
- Why should today's industrial consumers pay for future increases in generating capacity?
- Why should the CEGB be "made to buy coal at well above the world market prices?"
- Why should intensive energy users, and industrial users generally, face the steepest increases?
- Why not refurbish some existing power stations to meet future needs?

SIB crackdown on funds advertising

BY ERIC SHORT

THE SECURITIES and Investments Board considers that offshore investment companies quoting the prices of their funds in the British press will be breaking the advertising rules of the 1986 Financial Services Act if the address and telephone number of the company is shown.

There are strong controls on offshore funds advertising here, but the Department of Trade and Industry has a relaxed attitude to the practice of showing the address and telephone number of the investment company.

Lawyers for SIB, the City's new regulatory watchdog, are taking a different attitude.

They accept that showing unit prices is providing information to existing investors and does not contravene the Act. But they consider that including the address and telephone number, which existing investors do not require, would be providing information calculated to lead people directly or indirectly into making an investment agreement in contravention of Section 57 of the act.

This is one aspect of the complex problems of fitting offshore funds into the new regulatory system due to come into operation in April. These funds are not being banned by the act, but to be marketed in Britain each fund will need to be recognised.

The act lays down three routes for recognition

BANK OF ENGLAND QUARTERLY BULLETIN

BY PHILIP STEPHENS

Bank favours restraint on interest rates and wages

THE BANK of England signalled yesterday that it will be cautious about allowing interest rates to *fall further in the wake of* last month's crash on world stock markets and voiced its concern about the pace of pay awards.

In its latest Quarterly Bulletin, the Bank also predicted a slowing in the rate of world economic growth next year as a result of the equity price fall, but hinted that it shared the Treasury's view that output in Britain would rise by about 2½ per cent.

The Bulletin suggests that action by the US to reduce its Budget deficit should be accompanied by more expansionary policies in Japan and West Germany. Prospective growth in West Germany is particularly disappointing and might well be insufficient to stimulate the other key European economies.

The Bank adopts a markedly less optimistic view than that presented in Whitehall over the past few days on the prospects *for any significant further fall in* Britain's borrowing costs. Earlier this week Mr Nigel Lawson, the Chancellor, said that another cut in base rates would be a "distinct possibility" as part of an internationally-agreed package of measures to stabilise financial markets.

The Bulletin says that the one point decline to 9 per cent in base rates over the last few weeks was justified by the prospective dampening effect on demand in the economy of the equity price fall. The reduction was also needed to help restore calm on financial markets.

But domestic monetary conditions - rapid growth in broad measures of the money supply and strong credit demand - and the high level of pay settlements point to a need to keep borrowing costs at close to current levels.

The Bank welcomes both recent strong gains in manufacturing industry's productivity and signs that investment spending has started to rise sharply in response to buoyant output.

However, it warns that output and productivity growth are likely to slow next year and says there is a danger that employers may be too optimistic about the prospects in setting pay awards. Any slowdown in investment spending as a result of the stock market crash would also increase the possibility that industry could begin to hit capacity constraints.

A deterioration in Britain's trade position this year may be partly attributable to faster growth in demand in the economy than in industry's ability to meet it, the Bulletin says. A 7 per cent deterioration in industry's competitiveness over the *last year is probably also having* some damaging effect on exports, although competitiveness is still around 6 per cent higher than before sterling's devaluation last Autumn.

The Bank says recent events on stock markets will damage the prospects for growth next year in two obvious ways - it will raise the cost of equity capital for industry and, by reducing household wealth, will also reduce consumption.

These twin effects will not be negligible, particularly when combined with the impact on confidence of such a sharp and rapid fall in asset values. However, it adds that Britain should be less affected than the US, where personal ownership of shares is much more widespread.

The Bank's latest forecast of the outlook for the seven major industrial economies points to growth next year of 2.3 per cent against the 2.6 per cent expected in 1987. The scale of trade imbalances between the three largest economies - the US trade deficit and the parallel surpluses in Japan and West Germany - is such that they are likely to be corrected only gradually, the Bulletin says.

A projected sharp slowdown in the growth rate of domestic demand in the US economy, however, should contribute to a significant reduction in its current account deficit to 2.4 per cent by the end of 1989 against the 3.7 per cent seen in the first half of 1987.

Commercial paper market, Page 34

Industry funds centre to exploit science

BY PETER MARSH

AN industry-funded centre to encourage stronger links between companies and academic scientists will start by the end of the year.

The Centre for the Exploitation of Science and Technology, which was formally launched yesterday, will aim to move Britain closer to Japan and West Germany in the way the country transfers ideas from research to industry, according to Sir Francis Tombs, chairman of Rolls-Royce and of the Government's Advisory Council for Science and Technology.

Sir Robin Nicholson, a director of Pilkington, the glass company, said he hoped the centre would act like Japan's Ministry of International Trade and Industry in bringing together researchers from the academic and commercial fields.

Sir Robin, a former chief scientific adviser to the Government, has acted as chairman of a group which has put up £4.75m to establish the centre for five years.

Among the companies which are contributing £250,000 each are British Telecom, IBM, Rolls-Royce, Jaguar, Lucas, Shell, British Aerospace, British Gas and Thorn EMI.

The Government is to contribute a further £1m towards the cost of running the centre, which will be in Manchester.

The organisation will be supported by academic groups in the north-west. It will examine technical trends in industry and the educational world and indicate to government bodies and companies sectors of science and technology with both near and long-term commercial potential.

One of the centre's jobs will be to advise the Government on the orientation of publicly-funded research and development, which costs £4.5bn a year.

Sir Robin Nicholson, who will chair the group of industrialists in charge of the centre, dismissed fears that the centre would encourage more applied research at the expense of programmes in pure science.

● A warning about lack of government cash for long-term basic research came yesterday from Professor Bill Mitchell, chairman of the Science and Engineering Research Council.

Prof Mitchell said government spending cuts might mean his council is forced to trim £45m a year from pure science programmes. This could lead Britain to drop out of CERN, the European centre for research into particle physics.

Michael Donne on fears among independent airlines that they will be strangled by a merged BA/BCal

CAA faces turbulent flight over routes allocation

THE CIVIL Aviation Authority will play an important role in what could be a turbulent few months for UK civil aviation following the Monopolies and Mergers Commission's granting of approval for the merger of British Airways and British Caledonian Airways.

If the merger goes ahead - and it remains to be seen whether BA's forthcoming offer, inevitably lower than the original £237m because of the collapse in share prices, will prove acceptable to BCal's shareholders - the authority will have to mastermind the complex route-restructuring proposals which form part of the price of the commission's approval for the deal.

In particular, it will have to hold a long series of public hearings into applications from other independent airlines wanting to fly on those domestic and international routes BCal will surrender and from those airlines seeking to compete with BA/BCal on the long-haul routes where existing "dual designation" permits a second UK airline.

There will also, inevitably, be something of a scramble among other airlines for the 5,000 aircraft "slots", spread "reasonably" throughout the year, at Gatwick that BA/BCal will surrender

Already questions are being asked as to which slots and when, and who is going to allocate them, and on what basis. Some independent airlines believe a recipe for chaos is in the making.

At the same time, the Government will come under increasing political and airline pressure to clarify its policy on traffic distribution at UK airports. The independent airlines are not convinced the merger conditions will prevent anti-competitive and predatory behaviour.

The common theme running through the independent airlines' criticisms is that the merger, while highly beneficial for BA, under the chairmanship of Lord King, and BCal as major scheduled airlines, would do nothing to help the charter operators which between them handle by far the biggest proportion of the traffic moving through Gatwick.

They believe that their future security is threatened by the impending merger and say the Government should act to protect them. The charter airlines are worried that, even with 5,000 extra slots to be allocated, they face slow strangulation at Gatwick as the merged BA/BCal expands scheduled operations there.

The commission did not investigate the Government's airline or airports policies or the powers of the Civil Aviation Authority. Those were outside its terms of reference. Many of the submissions to it referred to those issues.

One leading concern about the CAA hearings on the licences BCal will surrender on its domestic, Channel Isles and short-haul European routes is that the merged airline will be able to apply to have them back.

Lord King: BCal shareholders may still turn down BA merger

Any BA/BCal bid will be treated on the same basis as any other application. However, many independents are worried that the airline's size and financial strength might lead the CAA to favour it over smaller airlines.

Setting up a new route is expensive, and the short-haul European routes involved - London to Paris, Brussels, Nice, Athens, Copenhagen, Hamburg, Oslo, Rome, Stockholm and Stuttgart - are likely to be especially so because of the fierce competition which already exists.

To stand any chance at all, a new entrant would need a sizable fleet of modern short-haul jet airliners and substantial ground support. As a result, only a small number of the biggest independents are likely to seek such licences.

Air Europe, backed by the International Leisure Group, is the most likely bidder. It has already won rights to fly to Continental cities, including Amsterdam, Brussels, Copenhagen, Frankfurt, Geneva, Munich, Paris and Zurich. However, services have not started because BCal appealed against the licence awards. BA says it will drop the appeals.

As a result, Air Europe is planning to start Munich flights on December 17 and flights to Paris and Brussels on "the very date" BCal withdraws from those two routes.

On the Amsterdam, Copenhagen, Frankfurt and Geneva routes, Air Europe will start as soon as the Transport Secretary is "prepared to use his powers to ensure that sufficient slots are allocated for Air Europe's services."

Air Europe has already filed a bid for the Nice route, but routes to Rome and Milan might be more difficult to because of the severe restraints on capacity at imposed by the agreement between the UK and Italy. Air Europe hopes to start flights to Zurich within a year.

Other independent airlines could also move in. Air Europe itself sought its European licences when both BA and BCal were separately either flying on, or licensed to serve, many of those routes, creating the possibility of three UK airlines on them.

There is nothing now to stop other independent airlines from taking advantage of the surrender of the BCal licences, to challenge not only BA/BCal but also Air Europe to win something from the route restructuring.

On long-haul routes, the situation will be less confusing, largely because the much greater cost involved in setting up a new service will limit the number of bidders.

In addition, the existence of "dual designation" - agreement with a foreign government that more than one British airline can fly a specific route - makes the licensing task easier.

Virgin Atlantic has applied for Los Angeles, Kennedy (New York), Tokyo, Muscat and Hong Kong, and others may yet join in.

BA intends to retain BCal's Hong Kong licence, but will operate as a single airline, leaving room for another UK operator. However, the situation is still uncertain because the UK-Hong Kong bilateral air agreement is currently under review.

Similarly, Tokyo could prove difficult because the agreement with Japan allowing BCal on to the route as a second UK carrier was only recently renegotiated.

Although BA and BCal will now fly as one airline on that route, theoretically allowing the admission of another UK operator, under the capacity-sharing agreement any additional UK carrier's traffic would have to come out of the percentage originally allocated to BA and BCal, and the merged airline could well object.

Young consumers' attitudes change

BY FIONA McEWAN

BRITAIN'S YOUNG reared under Thatcherism believe money is the route to happiness; today's generation of young consumers is more interested in personal success as measured by money than in happiness or fulfilment; the image of the upwardly mobile, self-made young adult has caught on.

These are among findings in a survey across Europe among 7,000 15-to-25 year-olds by McCann-Erickson, the US-owned multinational advertising agency, compared with a similar sample surveyed 10 years ago.

Money was given greater priority on the list of essentials by youth in Britain than in other European nations, where love and friendship were seen as more important, in contrast to the views of UK youth 10 years ago.

The sentiment of The Beatles' hit Money Can't Buy You Love, which caught the young's mood in the 1960s-70s, has made way for Madonna's Material Girl.

The "new wave" believes in hard work as the way to success; more than a third would like a City job and a quarter a job in marketing, higher than any choice of professional or public-service options.

It is independent, tough-minded, individualistic and wary and holds traditional moral values.

While it has few heroes - which ties in with emphasis on being cool and in control - it is not uncaring and approves of pragmatic individuals.

Consumption is seen less as an end in itself than as a means of identification, promoting an image, indicating "savvy" and knowhow. Buying a T-shirt is meaningless but a Lacoste tee-shirt says much about a person.

Not all values are material: asked what brought happiness, health came first, then happy family life, then money.

There was a shift in women's attitudes: many believe it acceptable for women to be ambitious in work; striving for success is not seen as conflicting with femininity or enjoyment; in spite of outer confidence, women still yearn for romance and sentiment.

On moral values British youth displays conventional attitudes in general.

Details on Youth Study available from McCann-Erickson, 36, Howland Street, London W1A 1AT.

THE GOVERNMENT'S seasonally-adjusted unemployment total fell by 58,000 in October to 2.715m or 9.8 per cent of the workforce. The unadjusted total, which includes school-leavers, fell by 119,000 to 2.751m, or 9.9 per cent.

The numbers out of work have fallen in most regions over the past year, but the sharp divide in the jobless totals between the relatively prosperous south and relatively depressed north remains. Northern Ireland has benefited little from the 497,000 fall in the official total since its peak in mid-1986.

In the south-east the adjusted unemployment rate last month was 6.8 per cent, and in East Anglia it was fractionally higher at 6.9 per cent. The figure for the south-west was 8 per cent.

That compares with 13.7 per cent recorded in the north of England, 12.8 per cent in Scotland, 12.4 per cent in the north-west and 12.1 per cent in Wales. The jobless rate in Northern Ireland stood at 17.9 per cent. The number of people covered by the Government's special employment measures in September was 806,000. The total has risen by 39,000 over the last year.

TVS to recruit 100 for programmes expansion

BY RAYMOND SNODDY

TELEVISION SOUTH, the ITV contractor for the south and south-east of England, will advertise next week for 100 production staff because it plans to make more programmes.

The company, which employs 1,000 people, is looking for camera operators, electricians, make-up personnel and other staff for its Maidstone, Kent, and Southampton studios.

TVS is hiring the staff because it believes it will be one of the main beneficiaries of planned reforms of the ITV network system which should give regional companies greater access to the national ITV network.

Five of the 15 ITV companies - Central, Granada, London Weekend, Thames and Yorkshire - make most nationally-transmitted programmes.

Last month, under pressure from the Independent Broadcasting Authority and the Government, the ITV companies agreed in principle to loosen up the system.

The number of guaranteed hours for the Big Five will fall from 42 to 35 a week

TVS, which had pre-tax profits of £10.9m in the six months to April, plans to increase its number of hours, including regional programmes, from 819 to 941 in the year to August.

The network changes, combined with greater access for independent producers, will make things difficult for the five big companies. TVS, with its strong south-east financial base, has been campaigning for several years to be a sixth network company.

UK NEWS

Extradition reform to be modified after criticism

BY RICHARD EVANS

THE GOVERNMENT is to press ahead with its controversial proposals to reform the extradition laws, but changes are to be introduced into the Criminal Justice Bill to meet some of the criticisms raised in the House of Lords last month.

The orginal proposals, intended to bring England and Wales more into line with other western countries, worried some peers who feared fugitives' rights could be prejudiced.

This is denied by ministers, who believe English law makes it far too difficult for other countries to obtain justified extraditions on terrorism or drug smuggling charges. To meet some of the anxieties, several statutory rights are to be written into the bill to underpin current practices.

Whether these will be sufficient to placate the critics will be seen on Tuesday, when the Lords begins the three-day report stage debate on the bill.

Mr Douglas Hurd, Home Secretary, emphasising that there was no way of changing the central thrust of the reforms without undermining their purpose, outlined the changes in a letter sent *last night to Mr Ivor Stanbrook*, Conservative MP for Orpington and an expert on extradition law.

Douglas Hurd: uniquely demanding extradition laws

The changes are: a fugitive would be given a statutory right to see the papers on which the extradition request was based; there would be a statutory right for a fugitive to make representations to the Home Secretary within 15 days of a committal *order being* made by a court; and, should a judicial review be undertaken of a ministerial decision to allow extradition the return of the fugitive would be deferred until judgment was given.

Mr Hurd said Britain was one of the easiest countries for a criminal to take refuge in because of its uniquely demanding extradition laws.

"We are in no position to complain when we cannot obtain the return of fugitives from British justice if we regularly fail, because of the complexities of our law, to hand alleged criminals back to face trial in countries with legal systems of undoubted *integrity," he writes.*

A key element in the Government's proposals is the abandonment of the requirement on the requesting country to establish a *prima facie* case for extradition under English law.

Instead, extradition takes place on the basis of a request, a warrant of arrest, a statement of facts and evidence of law and identity.

The Home Secretary's discretion to refuse extradition would remain as a long-stop against the extradition of individuals who risked facing an unfair trial.

France has a failure rate of 50 per cent in obtaining extraditions *from Britain. Austria has* given up trying, having not had a successful application since 1933.

Drive to ease debt pressures launched

By Richard Waters

A CAMPAIGN to ease the pressures of debt on a growing number of people was launched yesterday by Familybase, a group based on Christian principles which claims the support of churches, women's movements and advice centres.

The campaign hopes to persuade finance houses, banks and credit card companies to put a ceiling on *their interest charges* and voluntarily adopt less aggressive marketing.

The average debt of people seeking help from Citizens' Advice Bureaux has risen from £1,000 to more than £4,000 in the past two to three years, said Ms Diana Whitworth, CAB senior research and development officer.

A survey of more than 1,000 of these people revealed that on average they would take nearly 10 years to pay off their debts. Unemployed people, who made up a large proportion of the sample, would take 32 years to be rid of debt.

The result of this overborrowing was depression in two-thirds of cases, while one in six people were described as "suicidal."

The campaigners called yesterday for a voluntary code of conduct among finance providers to include:

- A ceiling on interest rates charged by banks, high street stores and credit card companies of 20 per cent (as long as base rates remain below 10 per cent) and a ceiling on all types of consumer finance of 50 per cent.
- An end to credit card companies arbitrarily increasing customers' credit limits and to the selling of credit through prize draws and similar promotions.
- A donation by credit companies of ½ per cent of turnover to finance money advice centres.

They also want to see government health warnings on credit advertisements and a change in the judicial system to allow those hopelessly in debt to be released from their obligations, provided they have made regular repayments.

GEC sells map system to RAF

By David Buchan

GEC Avionics yesterday announced the £7m sale to the Royal Air Force of what it claims is the world's first entirely solid-state digital mapping system.

The company's guidance systems division at Rochester, Kent is to supply more than 100 digital colour map units for the GR7 ground-attack version of the Harrier aircraft. The DCMU has sales potential in the updated Tornado fighter, the European Fighter Aircraft and in refits on US military aircraft, company executives said yesterday.

Deliveries will start in two years. Most of the development has already been carried out by GEC Avionics on a private venture basis. This corresponds to the Ministry of Defence's stated desire that the defence industry should be more oriented towards exporting and investing rather *than waiting for MoD* development contracts.

BNFL to put £10m into development of Cumbria

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

BRITISH NUCLEAR FUELS is to put up £1m a year for 10 years to fund a development agency in west Cumbria, where its Sellafield reprocessing complex is the biggest employer.

The complex provides about 8,000 jobs in the area.

Other jobs are provided by BNFL's building contractors but many will be hit when Sellafield's building programme slows down in five years as Thorp, the £1.65bn thermal oxide reprocessing plant, is completed.

BNFL money will go to a development fund operating with the agency. The fund will finance new and expanding businesses and broaden the industrial base.

The funding's size will make the agency one of the most powerful bodies of its type and is *bound to draw envy from* urban areas with worse problems.

The £10m programme is part of a joint initiative by BNFL, Copeland Borough Council, Cumbria County Council and Enterprise West Cumbria.

The agency will appraise projects financially, co-ordinate property and manpower supply, have private-sector members and be open to representatives of BNFL, the local authorities and trades unions.

BNFL says another contribution will be Sellafield's need for local goods and services. It spends £20m a year on these.

The scheme sees local businesses, entrepreneurs and suppliers playing a more active role, aided by the agency in achieving the standards BNFL requires.

A report for BNFL says there is potential for small-business growth in the area, much of it spinning off Sellafield.

If UK 2000 wasn't so important, we'd be happy to remain anonymous.

Is making Britain a better place a bit of a pipedream? Those of us who have become involved in UK 2000 don't think so.

The thrust of this new national venture is to 'green' our cities; restore our industrial heritage, the 19th century mills and warehouses; tackle litter and recycle waste; turn neglected woodlands, canals, ponds and footpaths from eyesores into amenities; and make our tourist sites more attractive.

UK 2000 will run to the year 2000 and provide local, community-run projects, involving volunteers and the unemployed.

Esso is helping projects and training by providing funds, experience and people. We have seconded skilled staff to contribute to the management of UK 2000, including the Director of UK 2000's Scottish operation.

We already support the British Trust for Conservation Volunteers, the Civic Trust, Community Service Volunteers and Groundwork, four of the many groups taking part.

Esso is also active with bodies like the RSPB, the Nature Conservancy Council and the Countryside Commission on other environmental projects. In this European Year of the Environment we hope our involvement in UK 2000 will be even more helpful.

UK 2000 is a partnership between industry, voluntary groups and government, but it also needs individual support.

Please can we urge you to find out more, by writing to UK 2000, 2–3 Horse and Dolphin Yard, Macclesfield Street, London WIV 7LG.

Or telephone 01-631 3826/5160.

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UK NEWS - PARLIAMENT and POLITICS

Meeting of minds: Lord Young, John Major (Chief Secretary to the Treasury) and Malcolm Rifkind (Scottish Secretary) confer hastily outside No 10 after yesterday's Cabinet meeting

Less restrictive secrets law under review

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE Prime Minister yesterday confirmed in the Commons that the Government was considering changes to the Official Secrets Act and that any ensuing legislative proposals would be less restrictive *than those currently* in force under Section 2.

It is understood that several senior ministers, including Mr Douglas Hurd, the Home Secretary, and Sir Patrick Mayhew, the Attorney General, have for several months been considering changes to Section 2, which has become widely discredited

A senior minister said last night that a great deal of work had been done on drawing up *new proposals* but *that* an announcement of the Government's intentions looked very unlikely before parliament rose for the Christmas recess.

Mr John Wakeham, the Leader of the Commons, told MPs that the Commons would be informed as soon as any decision was made. It is likely, however, that ministers would make known their own proposals before the Shepherd bill, a private member's measure advocating revisions of the present legislation, reaches the Commons.

In answer to a question from **Mr Jonathan Aitken** (Con, Thanet South) as to whether any fresh legislation would mean greater liberalisation of existing secrecy laws or greater restrictions, Mrs Thatcher said that, if changes were suggested, they would be less restrictive.

She repeated an earlier Commons written reply by Sir Patrick, in which he said that work was in progress on devising provisions that would offer an "effective, enforceable and reasonable alternative" to Section 2.

Mrs Thatcher made it clear to MPs, however, that she believed the issue was fraught with difficulties and reminded them that the last attempt to change Section 2 was defeated in the Commons in 1979. The Protection of Official Information Bill had been thrown out, despite what was considered to be a large measure of agreement over its contents.

The rethink of the secrecy laws comes in the wake of government embarrassment over the long-running Spycatcher affair and the Special Branch raid on the BBC during the row over the televising of a film on the Zircon spy satellite.

A private member's bill aimed at reforming Section 2 is to be presented to the Commons in January by Mr Richard Shepherd, (Con, Aldridge Brownhills) and proposes measures to protect information in six key areas.

Although Mrs Thatcher yesterday failed, in answer to a question from **Mr David Steel**, the Liberal leader, to say whether she would support the Shepherd bill, ministers are making it plain that they do not believe it is a suitable vehicle for any changes in the law which might be sought.

Mr Roy Hattersley, Labour's deputy leader, said last night that it was impossible to decide what Mrs Thatcher's true intentions were.

He said that she should repeal Section 2 and that Labour intended to support the Shepherd bill and try to make amendments at the committee stage in order to produce the liberalisation of secrecy laws which was long overdue.

● Mr Leon Brittan, the former *Home Secretary*, said last night that reform of the Official Secrets Act was now a priority and there was no reason why workable and effective government legislation should not be put before parliament in the next session.

He claimed the act was so "absurdly all-embracing" that it had become discredited and that by allowing present legislation to remain on the statute book, the Goverenment was "providing a dangerous smokescreen for those whose aim is to damage our national interests."

Competition policy 'still in place'

By Ivor Owen

Challenged by **Mr Neil Kinnock**, the Labour leader, in the Commons yesterday, **Mrs Margaret Thatcher**, the Prime Minister, denied that approval of the British Airways takeover of British Caledonian signalled the end of the Government's competition policy.

Mr Kinnock contended that the BA-BCal decision indicated that the Government's competition policy in future would result in the creation of private monopolies in gas and electricity as well as in civil aviation.

Mrs Thatcher recalled that in the case of BA-BCal as there had been no finding by the Monopolies and Mergers Commission that the public interest would be adversely affected Lord Young, the Trade and Industry Secretary, had no power to prevent the takeover going ahead.

She insisted: "Our competition policy remains," and pointed out that the Government possessed other powers under existing legislation if concern should arise in future about any competitive situation in industry.

Winter estimates

By Peter Riddell, Political Editor

WINTER supplementary estimates for additional public spending totalling £1.19bn were yesterday laid before the House of Commons.

The Treasury said the estimates were consistent with the forecast outturn of £147.6bn for the spending total in 1987-88 announced in the Autumn Statement.

Clarke defends space agency decision

BY IVOR OWEN

MOST of British industry was likely to back the Government's *decision* not to join other members of the European Space Agency in developing its own vehicles for a manned space flight, **Mr Kenneth Clarke**, the Chancellor of the Duchy of Lancaster, claimed in the Commons last night.

His robust insistence that Britain's isolation in the 13-nation agency would be understood by those who believe that taxpayers' money should be invested in space projects offering a more *realistic* prospect of a commercial return failed to convince several prominent Conservative backbenchers as well as Opposition MPs.

Mr Clarke, chief spokesman for the Department of Trade and Industry, came under fire from a *former Minister for Technology*, **Sir Geoffrey Pattie**, who stressed: "Every country in the world which has a space capability is increasing its expenditure while we appear to be cutting ours back."

Two other Tory backbenchers who specialise in science and technology matters, **Sir Ian Lloyd** (Havant) and **Sir Trevor Skeet** (Bedfordshire North) criticised the Government's decision on the grounds that Britain should be seeking to take the lead in the European Space Agency and that the application of a "commercial use" formula could mitigate against projects advocated by British interests.

Mr Clarke argued that just making comparisons with what *other countries spent* was *not* a fruitful approach, particularly when, in some cases, they were pursuing, not always successfully, quite different objectives and not the kind of options which had been on offer to Britain.

Mr Bryan Gould, Labour's shadow Trade and Industry Secretary, contended that Mr Clarke had returned from the meeting of the European Space Agency in the Hague earlier this week with *"his tail between his legs"* knowing he had been responsible for a political failure.

It was a *failure*, he said, which embodied "the worst possible news" for the 300 UK companies involved in the space industry, and could lead to a new "brain *drain" of top scientists* to Europe.

Mr Clarke retorted that the kind of manned space projects which the agency had decided to undertake would distort the whole balance of its programme and perhaps damage worthwhile projects concerned with telecommunications and earth observation which the Government believed should be in the forefront.

He promised to undertake further discussions with industry and if well-judged projects emerged offering value for money, the Government would consider backing them.

Dalyell suspension caps bad-tempered week

BY OUR POLITICAL CORRESPONDENT

GOVERNMENT business managers have ruled out calling a special meeting of party whips in an attempt to avoid a repetition of the rowdy scenes repeated in the Commons over the last few days.

An unruly and bad-tempered Commons week was capped yesterday with the Speaker's decision to suspend Mr Tam Dalyell (Lab, Linlithgow), after he repeated claims that the Prime Minister had lied over the Westland affair.

Labour MPs forced a division when the Speaker "named" Mr Dalyell and his decision was backed by 220 votes to 102. Among those who voted against the Speaker's decision were three Labour whips and when the MP was finally forced to leave the Chamber, his departure was met with unprecedented applause from the Labour benches.

The incident followed the earlier all-night sitting over the private bill to expand Felixstowe harbour, which wrecked the Commons timetable and led to Labour accusations of corruption involving the Government and P&O, the bill's promoters.

A senior government minister said last night that there was considerable concern that the reputation of the Commons was at risk following recent events but that any inter-party meetings to discuss the situation could provide more unnecessary drama.

Pressure in Lords for levy on blank tapes

BY TOM LYNCH

PRESSURE ON the Government to *impose* a *levy* on *blank* audio and video cassette tapes mounted in the House of Lords last night as the Copyright, Designs and Patents Bill received its second reading.

Peers protested that the proposal, in the white paper preceding the bill, for a 10 per cent levy had not been followed through, and argued that the home taping of records and of TV programmes and films amounted to theft of an author's or composer's *intellectual* property.

The second reading of what **Lord Young**, the Trade and Industry Secretary, acknowledged was a long and complex bill, was unopposed, but the string of detailed criticisms by peers promised a long and hard-fought committee stage.

For the Opposition, **Lord Morton of Shuna** warned the Government not to leave the law in its present state, with home taping illegal but the law unenforceable. He said the bill appeared to make it legal to tape a radio broadcast of a recording, while it remained illegal to tape the record.

Lord Lloyd of Hampstead (Ind), *a former chairman of the British Film Institute*, said the Government was "going to acquiesce in deliberate acts of theft - people seizing the products of other people's brains". It was "a flagrant injustice on a massive scale".

He expressed surprise that a government which cared about a property-owning democracy was disregarding a form of property which was significant for culture and industry.

Challenged by **Lord Young** over whether a 10 per cent fee should legitimise theft, or whether it was fair that it would be paid by those who simply wished to take family pictures, Lord Lloyd said it was generally recognised that the levy would constitute rough justice.

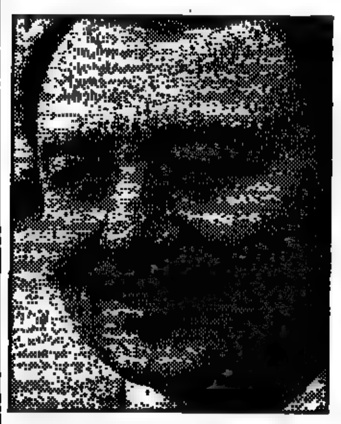
Lord Willis (Lab), author of several films and TV series and president of the Authors' Licensing and Copyright Society, said a 10 per cent levy "would not disturb the market one iota. It would be taken up by the consumer without a hiccup".

He thought no more than 10 per cent of tapes were bought for private filming, leaving 90 per cent being used for home taping, which was theft of property. The Government need not worry about the administrative costs of distributing the levy - there were already "perfectly adequate distributing societies."

Opening the debate, Lord Young said the bill's provision of a 10-year maximum jail sentence for the fraudulent use of trademarks was an earnest of the Government's wish to see open and fair competition. "Cheats - those who steal other people's property and ride on the backs of reputable business - will get no sympathy from us."

Livingstone in surprise defeat

BY OUR POLITICAL CORRESPONDENT



Ken Livingstone: casualty of campaign by Kinnockites

MR KEN LIVINGSTONE, the Labour MP for Brent East, has been voted off the executive of the Labour Co-ordinating Committee, the left-wing "grassroots" pressure group.

His surprise defeat follows what appears to have been a well-co-ordinated move by Kinnockite supporters to purge the LCC executive of several hard-liners like Mr Livingstone, who is a member of Labour's national executive committee.

Another casualty of the concerted action, which is being attributed to the so-called Clause Four group, was Mr Michael Ward, the former industry chairman of the Greater London Council. Also voted off the 20-strong committee were the three Scottish members, leaving it without a Scottish representative for the first time since the LCC executive was formed in 1978.

Mr Peter Hain, who stood as Labour candidate for Putney in the last general election and who earlier this week called on the LCC and the Tribune group of soft-left Labour MPs to work together to establish a new agenda for socialism, narrowly kept his place on the committee.

After hearing details of the results, which will not be confirmed until tomorrow, Mr Hain said the election results pointed to what he described as "disturbing sectarianism" which had been developing within the LCC, with Hain himself and others its intended victims.

An LCC official admitted that Mr Livingstone's defeat was a surprise but denied there were divisions within the committee.

● Labour Party headquarters in London was yesterday at a standstill because of a dispute involving members of the National Union of *Journalists*. A picket line, formed in protest at the sacking of journalists on Labour Weekly, excluded other headquarters staff for 24 hours.

Tam bears the brunt of a fit of morality

THE COMMONS was convulsed by a fit of morality yesterday during business questions - a half-hour period which is allegedly devoted to exchanges about the Government's programme for the following week.

The resulting turmoil almost matched the rowdy events of Wednesday when a day's business was lost as a result of filibustering over the Felixstowe Dock and Railway Bill. Once again the Speaker, Bernard Weatherill, was hard put to it to maintain order.

Scottish Tory Bill Walker was in deep trouble when he referred to a television programme that made allegations about four Scottish Labour MPs.

This nasty imbroglio was quickly overshadowed by an even bigger row which ended with that redoubtable Scot, Labour's Tam Dalyell, being "named" and expelled for five days when he accused Mrs *Thatcher of lying over the* Westland affair.

That Tory fundamentalist Tony Marlow inadvertently set the tone of outrage when he accused the Church of England Synod of "fudge and funk" over moral issues at its session this week.

Mr Walker was soon on his feet referring to the television programme on the affairs of Dundee district council, the Dundee Labour Party and "allegations that large sums of money had disappeared". He went on to name the four Labour members mentioned in the programme as George Galloway (Hillhead), Frank Doran (Aberdeen South), Ernie Ross (Dundee West) and William McKelvey (Kilmarnock and Loudoun).

At this there were furious Labour challenges that Mr Walker should repeat the allegations outside the privilege of the Chamber and Frank Dobson,

PARLIAMENTARY SKETCH

Labour's shadow Leader of the House, demanded that he should withdraw this "clear innuendo".

Mr Walker reacted with injured innocence. He wanted to make it quite clear that he was not making any allegations. Why, he regarded at least two of the four MPs as friends of his.

"You don't have two friends," sneered one furious Labourite.

In any case, Mr Walker withdrew what the Speaker called "this unecessary slur". But then *Mr John Wakeham, Leader of the* House, was in trouble when, in reply, he ruminated about the need for the Government's measures aimed at the greater financial accountability of local authorities.

Tam, in his intervention, was gravely worried about "standards at the top" and wanted a debate on Mrs Thatcher's assertion that she did not know of the role of her then Trade Secretary, Leon Brittan, in the Westland affair until the inquiry by Sir Robert Armstrong, Cabinet Secretary, had reported to her.

"Will she explain why, for the protection of her position as Prime Minister in order to remain in Downing St, she told the House a necessary and indispensable lie?" demanded Tam. Despite the Speaker's repeated warnings and requests for recantation the Savanarola of the Labour Party was intent on martyrdom.

The Speaker named him and as MPs prepared to vote on his decision left-winger Eric Heffer intervened to demand a debate on the matter. To do so he had to don the traditional top hat. At first he had to make do with an envelope on his head and, when the hat was thrown to him, could not get it on. His colleague, Andrew Faulds, helped with a hefty bash which brought it down about his ears.

But the vote to suspend Tam was caried by 220 to 102 and he strode out of the Chamber to the accompaniment of clapping from Labour backbenchers.

John Hunt

Chris Sherwell on a dilemma facing the businessman considered Australia's classiest entrepreneur

Market turmoil tests Holmes a Court's infallibility

DESPITE the crash in share prices of his Bell stable of companies - and his frustratingly silent response to the turmoil around him - Mr Robert Holmes a Court has not yet been written off as Australia's classiest entrepreneur. But anxiety is clearly deepening.

Broking analysts and business partners who appreciate his abilities remain convinced that he can pull himself out of what, by any standards, is a painfully vulnerable position.

The key issue, however, is whether his bankers will play the role he and his supporters would like. Like so much else in the current circumstances, it is a matter of confidence.

Many believe that, if Mr Holmes a Court falls into genuine difficulty, it would be like a bank crashing.

The options facing the Perth businessman, stripped of their complications, come down to two possibilities - either to sell some of his most attractive investments or to launch a takeover for a big, liquid going concern.

The aim is simple: to gain access to cash which will pay interest costs on large holdings of debt. The slashing of equity values has hugely undercut his borrowing capacity and is wiping out shareholders' funds.

Bell Group, Mr Holmes a Court's master company in which he holds about 45 per cent through his family company, saw its share price plunge to A$1.50 on Wednesday, down 87 per cent from its peak of A$11.20.

The share price of Bell Resources, about 42.5 per cent owned and effectively controlled by Bell Group, fell almost 90 per cent, from A$9.80 at the peak to A$1 on Wednesday.

Although both shares picked up modestly yesterday in line with a general improvement in the market, they remained weak. Even the proportionally smaller 50 per cent drop in the market as a whole is significantly greater than the falls seen in New York and London.

In a market which was overheated anyway because of the share trading activities of the Australian and New Zealand entrepreneurs, it was perhaps inevitable that they would lead the way back down, just as they had led it up.

But the Bell companies have been hit hardest for other reasons. One was the decision of Merrill Lynch, the US investment bank, to pull the plug on a A$1bn (US$683.1m) issue of convertible bonds shortly after the share markets collapsed.

The issue would have saved the Bell Group an estimated A$80m in interest payments in the current year, dramatically reducing its debt burden. Merrill Lynch's sudden withdrawal at a late stage damaged investor confidence.

Robert Holmes a Court: invariably calm under stress

Another was an adverse decision from the Texas supreme court concerning the litigation between Pennzoil and Texaco. Mr Holmes a Court holds almost 10 per cent of Texaco. The dispute remains unresolved, and is expected to go to the federal supreme court.

The Bell companies also suffered because, of all the entrepreneurial stocks (save those in the empire headed by Mr Bruce Judge, which have also been severely punished), they seemed to lack access to strong and regular cash flows.

This judgment was confirmed this week when Australian Ratings, the respected credit agency, said it was considering a downward grading from A minus to a B/CCC range for Bell Group, and from A plus to BB/B for Bell Resources, on the basis of their reduced ability to meet their debt obligations.

That hit the shares badly on Wednesday and in turn generated stark headlines yesterday. One commentator asked: "Is our Nero fiddling while Rome burns?"

A broking analyst familiar with the Bell stable and who had remained optimistic that Mr Holmes a Court would launch a big takeover to extricate himself was in different mood yesterday, talking more in terms of a fire sale of assets.

"Investors have taken to the lifeboats," he said. "It is now a matter of ditching the heavy equipment on board to keep the ship afloat and steer her to harbour."

The harbour, he quickly pointed out, was Broken Hill Proprietary (BHP), Australia's largest company. Mr Holmes a Court has for years sought control of the steel, petroleum and minerals producer - indeed, his business activities are not comprehensible if this is ignored.

Currently he has about 30 per cent of BHP through Bell Resources, while another 18 per cent is in the hands of Elders IXL, the agribusiness and brewing conglomerate. One irony of the share market collapse is that BHP now has the upper hand. Theoretically it could afford to take over Bell Resources, removing Mr Holmes a Court altogether.

If there is to be a Bell assets sale, the obvious Australian candidates would appear to be a 16.6 per cent stake in Pioneer Concrete Services (which, it has been suggested, he could equally bid for), a 6 per cent holding in the related Ampol Petroleum, a 10.7 per cent stake in Pancontinental Mining and holdings of BHP Gold warrants.

Mr Holmes a Court is also about to take over ownership of important media assets sold to him by the Fairfax group, including the Australian Financial Review, the only national daily financial newspaper.

Overseas investments include the Texaco stake, a 15 per cent holding in the Standard Chartered Bank (of which Mr Holmes a Court is deputy chairman), a 5 per cent stake in merchant bank Morgan Grenfell (held through insurance broker Dewey Warren, in which he holds 42 per cent), and 8 per cent of the UK retail group Sears.

Some of these investments were acquired in the last phase of the bull market, and show worsening paper losses. This has deepened the dent which the crash has made in Mr Holmes a Court's image of infallibility.

But it is an incautious analyst who writes off Mr Holmes a Court. He is said to have assets which are not on the balance sheets or are undervalued.

Finally Mr Holmes a Court, invariably calm under stress, is notoriously conservative about risk. Less than three months before the crash he said in an interview: "I like to know that, if I wake up tomorrow and find it's September 1929, I'm comfortable." That assertion is now being challenged.

NORTHERN ENGLAND

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NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of December 1, 1968, as supplemented, between CIG International Capital Corporation, [illegible]

[illegible]

CONVERSION RIGHTS

In accordance with the provisions of the Indenture, the principal amount of any Debenture may, at the option of the holder, be converted into Common Stock of the Company at the conversion price of $7.36 for each share of Common Stock. With respect to the Debentures specified above called for redemption, these rights of conversion will terminate at the close of business on December 1, 1987.

For the 60-day period ended October 22, 1987, the bid and asked prices for shares of Common Stock on the Over-the-Counter Market, as quoted on the NASDAQ System, averaged 1⅛ bid, 1⅜ asked. On October 22, 1987, the reported bid and asked prices for such shares of Common Stock was 1⅛ bid, 1⅜ asked.

So long as the market price of the shares of Common Stock is less than $7.36 per share, a holder would receive, upon conversion, shares of Common Stock (and cash in lieu of fractional shares) having less value than the cash which such holder would receive upon surrendering his Debenture or Debentures for redemption.

TTS, Inc.

Dated: October 30, 1987

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This exchange offer is available to all holders of Debentures, including the holders of Debentures called for redemption and identified in the Company's Notice of Redemption dated October 30, 1987. For the 60-day period ended October 22, 1987, the bid and asked prices of the Common Stock averaged 1⅛ bid, 1⅜ asked in the United States Over-the-Counter Market. Assuming a fair market value of $1.50 per share, this exchange offer has a value of $1,100.00 (excluding any brokerage commissions or taxes which might be involved in a sale of shares received in exchange for Debentures.)

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There is no printed documentation or letter of tender concerning this exchange offer. A holder desiring to accept the exchange offer should forward Debentures as stated in the Notice of Redemption accompanied by appropriate instructions (including the names and addresses in which the shares are to be registered and appropriate tax identification numbers, if applicable) stating that the Debentures are tendered pursuant to this exchange offer.

Neither the Company nor the Trustee for the Debentures is making any recommendation as to whether holders should accept the exchange offer and assume the risks of stock ownership in the Company. In particular, holders whose Debentures have been called for redemption should consider the risks inherent in exchanging their Debentures in part for cash and in part for stock, instead of accepting payment of the redemption price wholly in cash. No cash dividends have been paid on the Common Stock.

Questions and requests for assistance may be directed to:

VAUGHN W. DUFF, Esq.
TTS, INC.
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October 30, 1987

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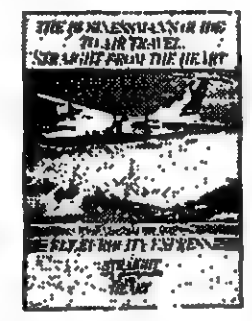

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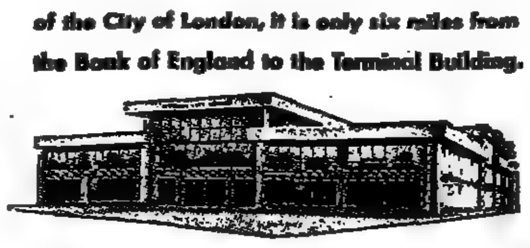

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FT LAW REPORTS

London arbitration forum for Peruvian insurance

NAVIERA AMAZONICA PERUANA SA v COMPANIA INTERNACIONAL DE SEGUROS DEL PERU

Court of Appeal (Lord Justice Kerr, Lord Justice Russell and Sir Denys Buckley): November 10 1987.

THE SEAT of an arbitration is *prima facie* the country of the curial law agreed by the parties, though geographically the dispute may be heard elsewhere; and accordingly, where the arbitration is governed by English law, England is the forum and the court has power to appoint an arbitrator, unless there is express provision to the contrary.

The Court of Appeal so held when allowing an appeal by shipowners, Naviera Amazonica Peruana SA, from a decision by Mr Anthony Diamond QC, sitting as a deputy Queen's Bench judge, that an arbitration between Naviera and insurers, Compania Internacional de Seguros del Peru, should be held in Peru.

LORD JUSTICE KERR said that Peruvian shipowners insured four vessels with a Peruvian insurance company. A disagreement arose as to what the renewal premium should be.

The policy, conditions and a subsequent endorsement were all in Spanish. Article 1 of the printed conditions provided that in the event of any conflict between printed and typed stipulations, the latter were to prevail.

Article 31 of the printed conditions provided that in the event of judicial dispute, the insured "accepts the jurisdiction and competence of the City of Lima".

The subsequent typed endorsement, translated, provided for "arbitration under the conditions and laws of London". "Conditions" in the context of "laws" must have been intended to refer to the procedural rules in force in London. It was plainly a London arbitration clause.

The shipowners claimed a declaration that the insurance policy provided for disputes to be referred to arbitration in London, and for an order for appointment of an arbitrator.

The judge rightly held it was a London arbitration clause, in the sense that arbitration was to be governed by English law; but he also held that any arbitration was to be held in Lima. He refused the declaration and concluded that the appointment of an arbitrator did not arise.

The shipowners appealed. In the interim, the insurers issued proceedings in Lima to compel the shipowners to submit the substantive dispute (as to reasonable rate of premium) to arbitration in Lima.

In the present proceedings, the question was whether the "seat" of arbitration was London or Lima - whether the contract provided for arbitration in London or Lima.

The conclusions which emerged from the jurisprudence on the topic could be summarised:

A. All contracts which provided for arbitration and contained a foreign element might involve three potentially relevant *systems* of law - (1) the law governing the substantive contract; (2) the law governing the agreement to arbitrate and its performance; (3) the law governing the conduct of the arbitration.

In the majority of cases all three would be the same. But (1) would often differ from (2) and (3). Occasionally, but rarely, (2) might differ from (3).

The issue in the present case turned on law (3) - the law governing the conduct of the arbitration, usually referred to as the curial or procedural law, or the *lex fori*.

B. English law did not recognise the concept of a "de-localised" arbitration. Every arbitration must have a seat or *locus arbitri*, or forum, which subjected its procedural rules to the municipal law which was there in force. That was law (3).

C. Where parties failed to choose the law governing the proceedings they were *prima facie* governed by the law of the country where the arbitration was held, on the ground that it was the country most closely connected with the proceedings (see *Dicey & Morris, Conflict of Laws, ed 11, vol 1, p 589*).

There was no reason to doubt that the converse was equally true. In the absence of express and clear provision to the contrary, agreement that the curial or procedural law was to be the law of country X meant that X was also the seat of the arbitration.

Therefore *prima facie* the forum of any arbitration under the present policy was London, since the arbitration clause provided that the law in force in London was the curial or procedural law.

D. The same principles applied to "institutional" arbitrations, such as under the *rules* of the International Chamber of Commerce or the London Court of International Arbitration.

E. There was no principle precluding parties from agreeing that an arbitration should be held in country X subject to the procedural laws of Y; but there appeared to be no reported case where that had happened.

That was not surprising when one considered the complexities and inconveniences which such an agreement would involve. Thus, under English law, an agreement to arbitrate in country X subject to English procedural law would not empower English courts to exercise jurisdiction over the arbitration in X.

Mr Milligan suggested a subdivision of curial law, so that the tribunal would be obliged to sit in Lima and conduct the arbitration according to English law, but its conduct would be subject to the supervision of Lima courts.

The parties could not possibly have intended such a complex regime. One only had to glance through the Arbitration Acts 1950 and 1979 to see how the conduct of arbitrations and the courts' powers intermeshed.

The relationship between the courts and the arbitral process could not be sub-divided. The task of Lima courts would be unenviable if this were a Lima arbitration to be conducted according to English procedural law.

F. The submissions in the court below confused the legal seat of an arbitration with the geographically convenient place or places for holding hearings.

That distinction was nowadays a common feature of international arbitrations and was explained in *Redfern & Hunter, The Place of Arbitration* - "It may be more convenient for an arbitral tribunal sitting in one country to conduct a hearing in another country - for instance, for the purpose of taking evidence...The seat of the arbitration remains the place initially agreed by...the parties."

G. Against that background, the judge's conclusion was unlikely to be right, because it produced a highly complex and possibly unworkable result which the parties could hardly have intended. It could only be right if the parties had expressly and clearly agreed to arbitrate in Lima, subject to the curial law of London. The question was whether they really did so.

The judge relied on three matters. None of them, singly or in combination, justified his conclusion.

First, he placed considerable weight on Article 31 of the printed conditions.

Article 31 could not co-exist with the typed arbitration clause in the subsequent endorsement, because of article 1, and as a result of ordinary principle.

Second, he contrasted an endorsed clause providing for settlement of average "in London", with the arbitration clause which referred to the law "of *London*".

Linguistic points of that kind were not helpful for the construction of commercial contracts, particularly when concluded between foreign parties in a foreign language.

Third, the judge relied on the subject matter and language of the contract and the nationality of the parties, in support of indications which he found in favour of Lima in the other two points.

Those general aspects could not prevail against the explicit London arbitration clause. The marine policy was between insurers and shipowners who operated internationally. There was nothing surprising in concluding that they intended any dispute should be arbitrated in London. It would always be open to the tribunal to hold hearings in Lima if convenient, even though the seat or forum remained in London.

The correct interpretation of the policy was that the seat of arbitration should be London. The appeal was allowed and the case was remitted to the Commercial Court for appointment of an arbitrator.

Lord Justice Russell and Sir Denys Buckley agreed.

For the shipowners: Peter Gross (Ince & Co).
For the insurers: Iain Milligan (Cedric Harris & Co).

By Rachel Davies
Barrister

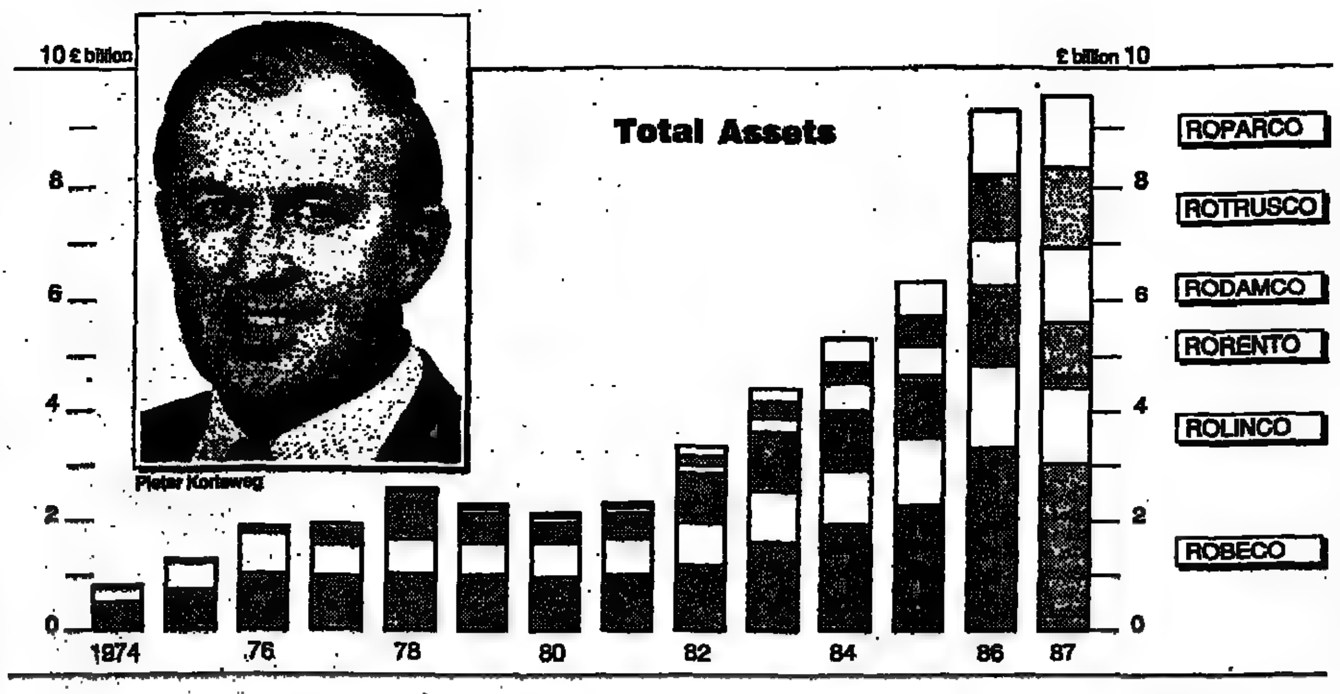
MANAGEMENT

ROBECO IS changing. The venerable Rotterdam-based investment group dominates the Dutch retail investment market - selling products which are crosses between unit trusts (or, in US terminology, mutual funds) and investment trusts. But it has struggled in its attempts to make an impact elsewhere in the world, forcing it to re-examine its strategy from top to bottom.

"We have liberalisation of capital markets going on, especially in the EC," says Pieter Korteweg, who in July took over as the company's president. "We don't have borderlines any more between banks, insurance companies, pension funds and what we are doing. It means that we are competitors where we were just neighbours."

Just as sector barriers are melting away, national borders could suffer the same fate. In the next few years the planned opening up of the EC's internal market for financial services could help Robeco, which has in the past been severely hampered by obstacles such as national investor protection laws and niggling tax rules in its attempts to market funds in West Germany, the UK and elsewhere. But it will also open up the domestic Dutch market to new competition from abroad.

Robeco is determined to go out and compete. An early sign of its new pan-European approach is its plan to set up a direct sales outlet in France. This is the first time it has established a national marketing organisation outside the Netherlands although for nearly 20 years it has maintained a global sales office in Geneva.



Pieter Korteweg

target europe

Robeco

A square peg hoping to fit a round hole

Barry Riley explains the idiosyncratic Dutch investment group's plans for its global funds in a fast-changing world

As an outsider, Korteweg is in an ideal position to undertake a strategic review, to assist with which he has hired McKinsey, the US management consultancy. A one-time economics professor at Erasmus University in Rotterdam, he spent five years up to 1986 as Treasurer General - the top civil servant - at the Dutch Ministry of Finance.

Still only 45, Korteweg is mapping out a strategy for what could be 15 years at the top. He reaffirms Robeco's role as the provider of long-term, low-cost global investment products, building on the group's more than 50 years of history. It is currently managing assets of Fl38bn ($17bn) and at least until last month's global market crash it has been enjoying a particularly buoyant period in its fortunes.

But Korteweg is making contingency plans for tougher times which may have been brought closer by the abrupt ending to the global bull market.

"By amassing larger funds we can diversify even further," he says, "so that we get a more optimal risk performance. Secondly, we also want to diversify our shareholders across borders. By that means we will gain greater stability, and be less vulnerable to people selling their shares again."

Robeco also needs bigger funds to maintain the low level of its annual management charges - only around 0.2 per cent against the 1.0 per cent which holders of British unit trusts often pay.

At present, however, Dutch investors hold around 70 per cent of Robeco's funds, and the group's overseas marketing efforts have often amounted to little more than the maintenance of rather nominal stock market quotations in many countries around the world.

Ten years ago Robeco went through a minor crisis when its flagship fund began shrinking, as withdrawals exceeded new investment, and one result was that Robeco made a major change of approach within the Dutch market. It concluded it could not rely on banks and stockbrokers to sell its products for no more than standard stock exchange commissions.

"We used to be a company which did not market its products," admits Korteweg. "That has changed considerably."

One consequence was the launching of comprehensive advertising campaigns in the Dutch media, which incidentally won advertising industry awards for Robeco's agency, Ogilvy and Mather.

Robeco launched a Dutch savings bank called Roparco to give a more comprehensive service to investors. The group also developed a sophisticated direct sales system called Rogiro, which now has some 300,000 Dutch account holders. The computerised system allows investors to place and withdraw money freely and to switch between the four main funds. They are Robeco, the flagship fund, a general equity fund, Rolinco, a growth equity fund, Rorento, a bond fund and Rodamco, a property fund which caused a stir in London two years ago by successfully bidding for the UK property company Haslemere Estates.

Another more recent innovation was the Rototal account, through which Dutch investors can buy the four funds at once.

Besides drawing in investors, the Rogiro system has the extra advantage that it replaces the traditional bearer shares with a form of registered electronic security. Robeco now knows who its shareholders are and where they live, and can circulate promotional magazines and other material.

Having developed these marketing aids in the Netherlands, Robeco is now ready to exploit them elsewhere - hence its plan to establish a sales organisation in Paris. France is a natural first choice, because a substantial pool of shareholders already exists there, and because the French savings market regime is exceptionally liberal. "France is renovating its financial system, and it seems we are a welcome part of that," says Korteweg.

But the story elsewhere is not so hopeful. The German shutters went up against foreign investment funds after the IOS scandal the best part of 20 years ago. The UK tax authorities penalised Robeco, which was an innocent victim of the offshore roll-up funds affair four years ago, and although that has since been sorted out, at least for two of its four funds, the Rotterdam group now has to tread its way through the minefield of the UK's new financial services legislation.

Roughly the same stories are repeated elsewhere, including the US where Robeco's funds are banned because they do not comply with the detailed mutual fund rules of the Securities and Exchange Commission.

However, important changes are under way. The European Community has passed its UCITS legislation (it stands for undertaking on collective investments in transferable securities) with the aim of making investment funds freely saleable in all community countries, probably by 1989.

Member nations are now in the process of implementing this directive. In theory, it should help Robeco. But there is a snag. Robeco's funds are not structured like unit trusts or mutual funds. They are individual investment companies, and do not invest only in securities - sometimes they own property or even coal mines. So it is not clear that they will fall within the scope of unit trust-type legislation.

"We do not fit the definition and that means we need a special status," says Korteweg, adding optimistically: "Often a special status is better than a normal status." But is Robeco actually important enough to get special treatment? That remains to be seen.

It is, on the contrary, a common theme in Robeco's history that the world will not bend to accommodate its idiosyncracies. For example, its determination to operate from one location - a sleepy Rotterdam side-street - has led to clashes with national regulations in many countries.

Robeco has been ready to innovate within certain limits. For instance, it has tackled the institutional markets by setting up Rotrusco, a fund management arm which has expanded rapidly in the past two years, and now manages around $2.5bn.

Elsewhere, the group is now formulating a fifth basic retail fund, one which will exploit the potential of new financial instruments such as futures and options. The fund could be based on a combination of liquidity and futures.

"There is a new breed of client coming up asking for new, exciting products," says Korteweg. But he insists that the new product will not take high risks.

On the international marketing side, Robeco is considering whether to add outlets in addition to Geneva, which handles rather more than Fls2bn of investments for customers scattered across more than 100 countries. Luxembourg might be another possible centre, for example.

So far, however, Robeco has refused to become involved with local funds or speciality products. "We could escape all our problems by deciding to decentralise and set up organisations in separate countries according to local law," says Korteweg. But then Robeco would no longer be able to centralise its investment management process. "That would be costly. As long as we can we will try not to go into that - but we may have to."

The central strategy remains to tackle European markets, starting with France, followed probably by the UK, subject to clearance under the Financial Services Act. Talks are proceeding with the Securities and Investments Board and with two of the self-regulatory organisations, Imro and Lautro.

But the question is whether Robeco is changing fast enough. After more than 50 years as a global equity investor it must be satisfying for the group to see its investment approach becoming fashionable. Global funds are becoming widely popular, even in the previously insular US.

Yet at the same time emulation brings greater competition, and puts greater pressure on Robeco's marketing strategies.

"What is successful you don't want to change," says Korteweg. But his task is to reshape an old formula to fit what could prove to be quite different circumstances.

Previous articles in this series were published on October 14, 21, 28 and November 2.

The myths and reality of IT

Michael Skapinker on the use of information technology in management education

WILL INFORMATION technology do for management education what Alan Sugar did for word processors and what Richard Branson is trying to do for condoms?

Will IT, in other words, carry management education to the thousands, or millions, who have not yet experienced its benefits?

Modern IT systems should, in theory, have a crucial role to play in management education, with its current emphasis on part-time and distance learning. For example, when students on a management course return to work, they could receive their assignments by electronic mail.

Some people believe the use of IT in management education could go much further.

They "get rather carried away and argue for a kind of Open University of the World in which cheap computing power, large on-line databanks and instant communications connect everything up to everything else in a self-organising network of learning and scholarship," Hugh Gunz of the Manchester Business School told a meeting of the Business Graduates Association last month.

Computers can be of assistance to business schools, he said. MBS is itself involved in a major computer-based project to enable students to work on simulated management problems in the classroom.

"But as with anything new, myths have grown alongside the reality," Gunz said. He identified seven common myths surrounding IT and management education.

● Myth 1: IT is cheap. This misapprehension "arises from the way IT now comes in small, deceptively cheap packages," Gunz said. "Even though you think you can do everything you need on a small computer, that is only the beginning. All computers, large and small, need looking after, and if your teaching staff are not to spend their entire working lives fixing machines and software you need support staff."

New teaching materials need to be developed too. "Networking adds a further dimension to installation and running costs. As with any computer installation, buying the hardware is just the beginning. There is a major institutional cost in managing the investment."

● Myth 2: IT is all about saving money. This second myth is related to the first. IT might eventually save money, once the initial investment period is over, but that is not what it is there for. It is there to extend the capabilities of teacher and student. "It may well turn out that the enhanced capabilities you get from the investment mean that everyone works as hard as before and with no actual cost savings, but much more effectively. In other words, the cost of production may not fall but the quality of the product improves considerably."

● Myth 3: IT makes life easier. "In the long run it probably does, but there is an investment hump to get over in terms of capital, skills and time which can last years and during which it is common to wish one had never started," Gunz said.

● Myth 4: IT helps to make everyone computer literate. "Computer literacy is a pretty vacuous concept. About the only thing standard in computing is the QWERTY keyboard. Systems and application software vary enormously. Being able to use one system may make it slightly easier to learn to use another, but only slightly."

● Myth 5: If you want to save money, give students the work stations before you give them to the teachers. "If your aim is to get your staff to use IT as a basic teaching and administrative tool you have to give them machines so that they can learn to use them and develop teaching material. If they have to leave their offices to hunt for a work station it won't happen.

"The analogy with telephones is useful. If you have only one telephone per floor you may well have lower phone bills, but you may not find as much useful work going on."

● Myth 6: Give everyone a computer and they'll find things to do with them. "Some people will leave the machine sitting on their desks switched off, while others will be creative and good things will emerge. But the teaching applications that do appear will probably be idiosyncratic to the developer rather than useable by the institution as a whole." The institution needs to bring people in to play a co-ordinating role.

● Myth 7: Networked computers create an educational community. "By themselves they don't. Networks are hard to set up. But, perhaps even more important, unless you have something to use the network for it will just sit there and look at you," Gunz said.

Exploding the big Japanese myth

THE BRITISH property market is not full of ripe pickings, waiting to be plucked by rich Japanese companies. The avalanche of Japanese money which is supposed to be waiting to fall on the British market does not exist.

It is true that Japanese companies have been active on the London market especially and more may well come. But the idea that, just because there has been heavy Japanese investment in the US, London is the next stop for footloose funds does not bear too much examination.

This was the general thrust of the argument conveyed to the British property industry at the recent annual conference of the Royal Institution of Chartered Surveyors by Mr Teruo Kato, the property finance manager at the London branch of the Nippon Credit Bank.

And it is an argument whose force is likely to have been strengthened by the general atmosphere of uncertainty that has become universal since the crash of the equity markets. As it is, the Japanese influence on the British market has been marked by isolated transactions. It has been more prominent in expectation than fact. "It is something like 'the wolf is coming' in Aesop's Fables," suggested Mr Kato.

Since the spring of last year, Japanese construction and development companies and trading houses have spent around £560m on property purchases. This is not the total extent of involvement. Companies like Kumagai Gumi, for instance, are busy working up projects in Glasgow. And then there is the question of Japanese bank lending.

By the middle of the year, the total funds from Japanese banks outstanding on the British market was £18.5bn, but the portion devoted to the property market was 1.78 per cent, or £328m. That funding represented 3 per cent of bank advances from all sources to the property market.

Although the percentage of lending to the property market in Japanese banks' loan portfolios has increased, the amount is scarecely huge and is well below the industry average of 4.82 per cent.

Now, this is a sharp contrast to what has been happening in the US. Coldwell Banker, the biggest of the US real estate brokers, noted that at the beginning of last year the Japanese increased the scope and the scale of their property investments. This is more than just another wave of foreign buying, Coldwell Banker commented. It has long-term implications.

"The conclusion is inescapable that, considering the scope, scale, and methodical nature of their commitment, the Japanese will become at some point sooner than we might anticipate, the dominant force in the United States commercial real estate marketplace," said Coldwell Banker.

In the year to March 1987, according to Japanese Ministry of Finance figures, the total of funds sent from Japan for property investment overseas came to $4bn, compared with $1.2bn the previous year. Of that $4bn, no less than $3.7bn went to the US.

That figure understates the scope of Japanese buying, because of the borrowing from the US branches of Japanese banks. If that borrowing is included then the level of Japanese buying is estimated at $6bn for the year to March 1987. It is a figure that makes the UK purchases look minor in comparison.

Mr Kato accepts that Japanese buying in the UK will increase. This is inevitable given the progressive globalisation of property investment, but it does not mean there is any great enthusiasm in Tokyo for the British market.

The starting point here is that, as Mr Kato put it, "the UK is a remote country for the Japanese. You call Japan the Far East and for them the UK is the Far West."

The US, on the other hand, is well known. US real estate brokers have been active in cultivating the Japanese investor, to a much greater extent than British surveyors.

In the US, yields are higher than they are in the UK. "Return on investment is primarily in the form of capital appreciation and not in the form of steady income gain" in the UK, Mr Kato noted. In Japan, revaluation of assets is not allowed so that "capital appreciation remains as just a hidden reserve and actual money flow is more important."

Of course, there are investment opportunities in the UK where there can be a high revenue stream but where capital appreciation is limited - some industrial estates especially outside the London area, for example. But the Japanese are no more more comfortable with this sort of investment than, it appears, the British property-investing institutions.

There is also a currency factor. The appreciation of the yen against the dollar has made property in the US look cheap to the Japanese investor, but, noted Mr Kato, the appreciation against sterling has been less marked. And while Japanese institutions have had long experience of buying US debt issues, this has not been the case for similar investments denominated in sterling.

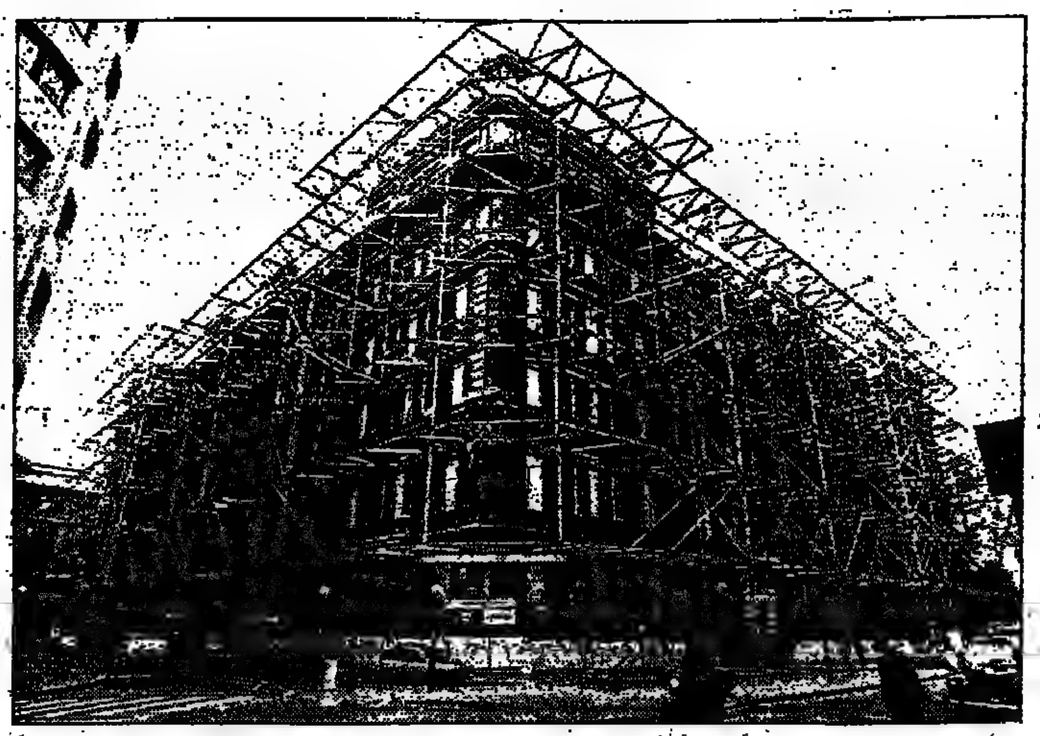
At the same time, in Mr Kato's view, "information on investment propositions is limited and it is uncomfortably exclusive." The market in the US is much more open. An example of this is the Land Registry. In Japan it is open to the public. In the UK access is more restrictive.

This opens up the whole question of differences in Japanese and UK property practices.

Ignorance of the UK is itself a deterrent to investment. The concept of the long leasehold does not exist in Japan. The lease structure is different. There are tax advantages in the depreciation of buildings. The value of property is much more in the land than the building itself.

Coming to terms with the way the British arrange their affairs is not worth the effort anyway if the range of properties available for investment is relatively narrow - and that apparently is how the Japanese see it. They are evidently not usually prepared to venture much outside central London.

Mr Kato concluded that if the Japanese are to play a bigger part in the market then the British surveyors are going to have to package their products better. It is a fair point. As a generalisation, the British financial community has been more adept at packaging the finance for development than for the sale of the ultimate product.



Kumagai Gumi is redeveloping behind its original facade the old Post Office headquarters building near St Paul's Cathedral on the edge of the City of London (pictured left).

The purchase was made in a joint venture with Glengate and the £250m redevelopment has since been presold to Nomura.

Although Ohbayashi's purchase of Bracken House, the home of the Financial Times, for £143m has been the biggest single Japanese property transaction in the UK, Kumagai accounts for around half of all the Japanese property purchases since the spring of 1985.

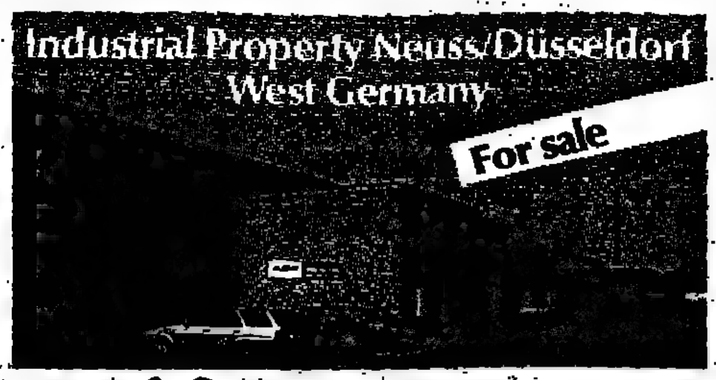
These two companies, with Shimizu and Taisei which are also active in London, represent what appears to be a move of overseas diversification among Japanese construction companies.

For them Britain is a further stage on a trail that has taken them through Asia, Australia and North America.

In addition to this group, Japanese trading companies, acting as developers, have become involved on the British market. Mitsui, Mitsubishi and C.Itoh, often in joint ventures, have made a limited direct investment. Like the construction companies, their presence is an extension of their international operations in North America, Asia and Australia.

The absentees from the British market are the Japanese life insurance companies.

International Property



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Legal Notice

In the matter of Tyndall-Guardian Management Ltd and in the matter of the Cyprus Companies Law Cap 113.

Notice is hereby given that the creditors of the above-named company which is being voluntarily wound up are required on or before the 13th day of December 1987 to send in their full names and addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Antony Hajirousos FCCA of Julia House, 3 Themistocles Dervis Street, P O Box 1612, Nicosia, Cyprus, The Liquidator of the said company, and if so required by notice in writing from the said liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 13th Day of November 1987.
A Hajirousos FCCA
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Company Notices

Union Bank of Finland Ltd.

US$ 100,000,000
Floating Rate Subordinated Notes due 2034

In accordance with the provisions of the Notes. notice is hereby given that for the interest period from November 12, 1987 to May 12, 1988 the Notes will carry an interest rate of 7¾ % p.a.

The interest payable on the relevant interest payment date. May 12, 1988, against coupon n°7 will be US$ 388.65 per Note.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

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NOTICE TO WARRANTHOLDERS

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as Principal Paying Agent

Interfirst Texas Finance N.V.
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Guaranteed Floating Rate Notes Due 1989

In accordance with the provisions of the Notes, Notice is hereby given that for the three months period 13 November 1987 to 16th February 1988 the Notes will carry a rate of interest of 7 [illegible] per cent. Per annum with a coupon amount of US$201.[illegible].
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Notice is hereby given pursuant to the terms and conditions of the notes that for the six months from November 12th 1987 to May 12th 1988.
The notes will carry an interest rate of 7,75% per annum. On May 12th 1988, interest of U.S. Dlrs 3.918,06 will be due per U.S.Dlrs 100.000,-note for coupon No 10.

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Announcement

LORD COBBOLD -

A Service Of Thanksgiving for the life of The Rt Hon The Lord Cobbold of Knebworth, K.G., P.C., G.C.V.O., D.L. will be held at St Lawrence Jewry next Guildhall at Noon on Tuesday 24th November. Those attending are requested to take their seats by 11.45 am

Lectures

UNIVERSITY OF LONDON.
The 1987 Stamp Memorial Lecture entitled: "Value for Money in Taxation" will be given by Sir Lawrence Airey, KCB (Chairman of the Inland Revenue 1980-86 and previously Second Permanent Secretary to the Treasury) at 6 p.m. on Thursday, 26 November 1987 in the Beveridge Hall at the University of London, Senate House, Malet Street, London WC1E 7HU.
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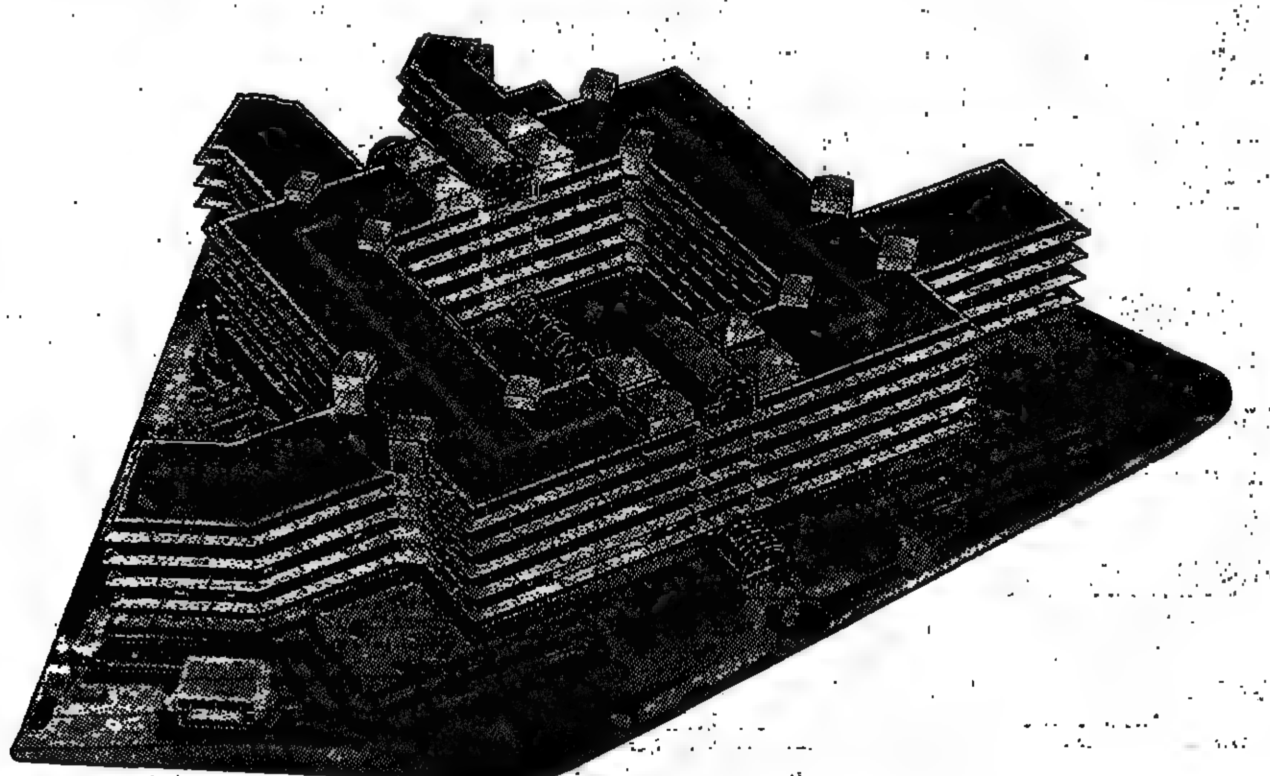

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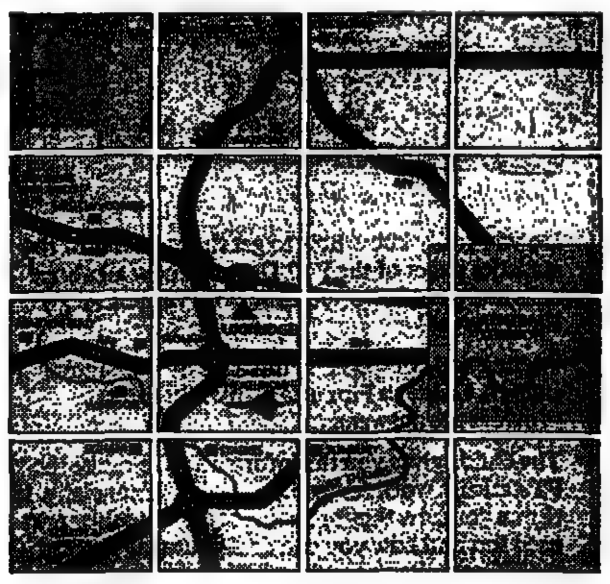

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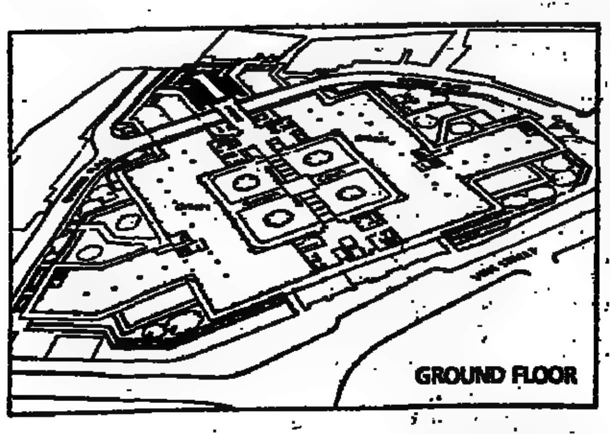

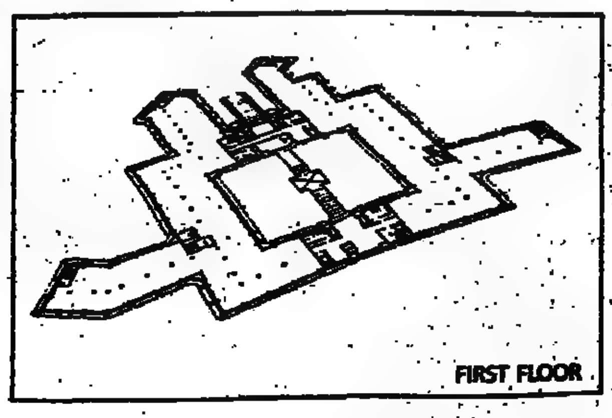

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ARTS

Arts Week

F 13 | S 14 | Su 15 | M 16 | Tu 17 | W 18 | Th 19

Music

LONDON

Barbara Hendricks soprano and Dmitri Alexeev, piano: Brahms, Faure, Strauss. Queen Elizaeth Hall (Mon) (928 3191).

Young Musicians Symphony Orchestra, conductors Michael Tippett and James Blair, Martino Tirimo piano: Tippett, Elgar. Barbican Hall (Mon) (638 8891)

Howells concert with the NELP and Hatfield Philharmonic Choruses, conducted by Michael Kibblewhite with Miriam Bowen, soprano, Niel Jenkins tenor and Robert Poulton baritone. Festival Hall (Tue).

English Chamber Orchestra, conductor Jeffrey Tate with Frank Peter Zimmermann, violin: Beethoven. Festival Hall (Thur).

London Symphony Orchestra, conductor Claudio Abbado with Alexis Weissenberg, piano, Lucia Valentini Terrani, mezzo-soprano: Ravel, Prokofiev. Barbian Hall (Thur).

ITALY

Milan Teatro alla Scala; Paisiello's La Passione di Nostro Signore Gesu Cristo (oratorio for four voices) conducted by Wojciech Czepiel with the Warsaw Symphony Orchestra (Fri). Also a recital by soprano Jessye Norman accompanied by Geoffrey Parsons (Mon) (80.91.26).

Genoa Teatro Margherita; Michel Swierczewski conducting Berlioz's Romeo and Juliet and 'La Prise de Troie', 'Les Grecs Sont Disparus' and 'Malheureux Roi'. (Fri, Sun).

Rome Auditorium in Via della Conciliazione; Arturo Tamayo conducting Donatoni,Berlioz and Ravel, with violinist Gerard Causse and soprano Paszthy (Sun, Mon, Tues) (65.41.044)

NETHERLANDS

Amsterdam Concertgebouw; The Netherlands Philharmonic conducted by Jun'Ichi Hirokami, with Arnaldo Cohen, piano:Rachmaninov, Ravel (Tue). Antal Dorati conducting the Concertgebouw Orchestra, with Sheri Greenawald, soprano, Nico van der Meel, tenor, Henk Smit, baritone: Debussy, Mozart (Wed, Thur). Recital Hall: Gregory Haimovsky, piano, Jaime Laredo, violin, Sharon Robinson, cello: Haydn, Dvorak, Mendelssohn (Wed). Anner Bijlsma, cello, and Stanley Hoogland, fortepiano: Dotzauer, Boccherini, Romberg, Popper (Thur). (71 83 45).

Utrecht Vredenburg; The Netherlands Philharmonic conducted by Jun'Ichi Hirokami, with Arnaldo Cohen, piano: Rachmaninov, Wada, Ravel (Wed, Thur). Recital hall: Strauss lieder sung by Udo Reinemann, baritone, accompanied by Roger Vignoles (Tue). Emmy Verhey, violin, Jakob Slagter, horn, Frederic Meinders, piano: Brahms (Wed). The Touring Ensemble under Christian Bor: Beethoven, Turina, Schumann (Thur). (31 45 44).

Groningen Oosterpoort; The Netherlands Saxophone Quartet: Francaix, Port, Pierne, Selen, Desenclos (Tue). (13 10 44).

Maastricht Redoute; The Touring Ensemble under Christian Bor: Beethoven, Turina, Schumann (Tue). (29 38 26).

PARIS

Les Musiciens Amoureux: Albert Roussel, Theatre des Champs Elysees (Mon) (47203637).

Orchestre Colonne conducted by Stephane Cardon with Caroline Sageman: Roussel, Schumann, Beethoven. Salle Pleyel (Mon) (45630796).

Capriccio Stravagante conducted by John Holloway, Guyillemotte Laurens, mezzo soprano, Skip Sempe, harpsichord: Lully (1632-1687). Auditorium des Halles (Mon) (42301516).

Montserrat Caballe recital, Miguel Zanetti, Piano. Theatre de l'Athenee (Mon) (47426727).

La Chapelle Royale choir and orchestra conducted by Philippe Herreweghe: J.S.Bach. Saint Nicolas des Champs church (Mon, Tue) (42771990).

Choir and Orchestra of Soloists conducted by Hugues Reiner, Petits Chanteurs a la Croix de Bois: Mozart, Dvorak. Salle Pleyel (Tue) (45630796).

Orchestre de Paris conducted by Evgueni Svetlanov, Andre Watts, piano: Glinka, Rachmaninov, Borodin. Salle Pleyel (Wed, Thur) (45630796).

Concert Mozart at the Opera Comique (Thur) (47425371).

WEST GERMANY

Frankfurt. Maurizio Pollini piano recital (Fri). Krystian Zimmerman piano recital with works by Schubert, Chopin and Liszt (Sun), Alte Oper.

Berlin. The Berlin Philharmonic Orchestra under Claudio Abbado plays Beethoven and Janacek. (Tues, Wed) Philharmonie.

NEW YORK

Shura Cherkassky piano recital: Franck, Schumann, Rachmaninov, J. Hoffman, Chopin, Liszt (Mon); Pinchas Zukerman violin and Marc Neikrug piano recital. Mozart, Bartok, Schumann (Wed); Dresden Staatskapelle. Hans Vonk conducting. Haydn, Bruckner (Thur). Carnegie Hall (247 7800).

Chamber Music Society of Lincoln Center; Ibert, Giuliani, Boccherini, Schubert (Tue). Lincoln Center (Alice Tully) (362 1911).

Juilliard Concerts; Frank Almond violin recital: Mozart, Ravel, Sarasate (Wed, 12.30). IBM Gallery at 56th and Madison.

Juilliard Orchestra; James DePreist, Paul Zukofsky conducting. Mendelssohn, Mahler (Wed). Lincoln Center (Avery Fisher).

Da Capo Chamber Players. Crumb, Boulez, Brahms (Mon). Music Today. Gerard Schwarz conducting. David Gordon tenor, Judith Mendenhall flute, Susan Jolles harp. Ronald Perera, Ned Rorem, Richard Wernick, George Rochberg (Wed). Merkin Hall (Goodman House) 67th w. of Broadway (362 8719).

Ridge String Quartet: Haydn, Cage, Grieg (Tue). Kaufmann Hall at 1395 Lexington Av. (831 8603).

New York Philharmonic with Kent Nagano conducting, Bella Davidovich piano. George Benjamin, Chopin, Bartok (Tue); Leonard Bernstein conducting. Schubert, Mahler (Thur). Lincoln Center (Avery Fisher Hall) (874 2424).

WASHINGTON

National Symphony with Lorin Maazel conducting. All Hindemith programme (Tue); Gerd Albrecht conducting, Jon Kimura Parker piano, Beethoven, Grieg, Dvorak (Thur). Kennedy Center (Concert Hall) (254 3776).

Chamber Music Society of Lincoln Center. Ibert, Giuliani, Boccherini, Schubert (Wed). Kennedy Center (Concert Hall) (254 3776).

CHICAGO

Chicago Symphony with Erich Leinsdorf conducting. Mussorgsky, Britten, Wagner (Thur). (Orchestra Hall) (435 8111).

TOKYO

Orchestre d'Harmonie de la Garde Republicaine conducted by Roger Boutry. Programme includes, J.S. Bach, Holst, Stravinsky. (Mon) Hitomi Memorial Hall, Showa Women's College. Sangenjaya (235 1651).

Iso String Quartet plays Smetana, Kodaly, Dvorak. (Mon) Ishibashi Memorial Hall. (496 0959).

Radio Sinfonia Orchester Frankfurt conducted by Eliahu Inbal. All Bruckner programme. (Tues) Tokyo Bunka Kaikan. (237 9990).

Toyoaki Matsuura, piano: Mozart, Schubert, Mozart. (Tues) Ishibashi Memorial Hall. (345 2751).

Ensemble Wien Berlin, woodwind quintet. Danzi, Nielsen, Ibert. (Thurs) Suntory Hall. (573 3588).

Theatre

LONDON

Separation (Hampstead). Powerful sequel to Duet For One by Tom Kempinski using that play as furniture in the transatlantic love story of a crippled actress and overweight agoraphobic playwright. David Suchet and Saskia Reeves give all in Michael Attenborough's production. (722 9301)

The Rover (Mermaid). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. Plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama set in a terminal radiation clinic as the first victims of the disaster are wheeled in. (236 5568/ 638 8891)

A Man For All Seasons(Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888)

Antony and Cleopatra (Olivier). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle-scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. (928 2252)

The Phantom of the Opera (Her Majesty's). Spectacular and emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Dave Willetts has succeeded Michael Crawford as the Phantom. (839 2244, CC379 6131/ 240 7200)

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes (628 8795)

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399)

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832)

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6585)

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252)

NEW YORK

Fences (46th Street). August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211)

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children' poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262)

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020)

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200)

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626)

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200)

Les Miserables (Broadway). led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200)

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510)

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor preferably British. (947 0033)

The Mahabharata (BAM Majestic). Peter Brook's nine-hour interpretation of the world's longest poem inspired the refurbishment of an old Brooklyn vaudeville theatre to accommodate it for a three-month stay as part of the Brooklyn Academy of Music's New Wave Festival. Ends Jan 3. (947 5850)

Joe Turner's Come and Gone (Kreeger/Arena). Tony Award winning playwright August Wilson turns in this play to a rooming house at the turn of the century where black people conjure up spirits that connect them to their heritage. Ends Nov 22. (488 3300)

All the King's Men (Arena). Adrian Hall's adaptation of the Robert Penn Warren novel explores the assassination of a demagogue during the Depression. Music by Randy Newman. Ends Nov 22. (488 3300)

TOKYO

Kabuki (Kabuki-za). The matinee plays are best. Excellent informative English earphone commentary and detailed programme notes. Newcomers may find one play enough but the first-timer's one-act ticket on the fourth floor is not good value. Sightlines are poor and there is no English earphone guide. Instead, purchase a third floor ticket. Kabuki-za, near Ginza. (541 3131)

Starlight Express. The original London producion in an ideal setting - an 10,000-seater arena. National Stadium Yoyogi, near Harajuku. (359 1166)

Continued on Page 23

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Five Centuries of Spanish Art. An ambitious ensemble of four exhibitions retraces the history of Spanish art from the Golden Age to today. The two most important exhibitions are El Greco To Picasso at the Petit Palais and Picasso's Century at the Musee d'Art Moderne.

In the Petit Palais is El Greco with a vast visionary Baptism of Christ, Velazquez with a portrait of Philippe IV in his hunting clothes, and Goya with a portrait of Marie-Louise in a black-lace mantilla.

Picasso's Century is dominated by the master, from the period of analytic cubism to 20 preparatory sketches for Guernica and to his last works. But there is also Juan Gris, and Miro, Dali and Tapies. Petit Palais, Ave Winston Churchill; Musee d'Art Moderne de la Ville de Paris, Ave President Wilson. Both exhibitions are closed on Mondays and both end on Jan 3.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Landscape in the Flemish and Dutch Schools. Light and colour change but the painter's pleasure in recording them never varies. The Brueghel Dynasty, the Bredael Brothers and Charles Beschey are represented in paintings on copper plates or wooden panels of unassuming proportions but in all the perfection of their art. Galerie d'Art Saint-Honore, 267 Rue Saint-Honore (42601508). Ends Dec 4.

WEST GERMANY

Munich, Staatsgalerie Moderner Kunst shows sculpture from East Germany. A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 60 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. Nov 5 to Jan 3. Mannheim Stadtische Kunsthalle from Jan 23 to Feb 21.

Hildesheim, Roemer- und Pfelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America - the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

Berlin Galerie im Rathaus Tempelhof, Tempelhoferdamm 165. Gunter Gauss paintings, drawings, etchings, lithographs and sculpture - a 150 work retrospective celebrating his 60th birthday and covering 1957 to 1987. Ends Nov 20.

Baden-Baden Kunsthalle Lichtentaler Allee 8a. Carlo Carra: The first German retrospective of the Italian artist who was one of the initiators of Futurism. His artistic life underwent dramatic change when he met de Chirico. Ends Dec 6.

ITALY

Rome Palazzo Venezia. Bice Lazzary (1900-1981). 150 works in oil, pastel and acrylic by one of the first Italian artists to abandon figurative for abstract art. Ends Nov 22.

Rome Calcografia Nazionale (Via della Stamperia 6). Towards Utopia is a virtuoso collection of photographs of Hungary in the years between the wars. Four women who learnt their techniques in Paris, at the Bauhaus at Dessau, and in Berlin give an evocative and moving account of the lives of Hungarian peasants and urban poverty, as well as a cheerful group of actresses, middle-class families, and several of the composer Bela Bartok. Ends Nov 30.

NETHERLANDS

Rotterdam, Prins Hendrik Maritime Museum. Art as camouflage, or camouflage as art? The startling 'applied vorticism' of marine dazzle painting developed in the First World War by Norman Wilkinson to deceive the enemy as to a ship's real position and course. Ends Dec 6.

Art Institute. 48 key Impressionist and Post-Impressionist works from the Courtauld collection tour America with paintings by Cezanne, Manet, Renoir, Seurat and Gauguin. Ends Jan 3.

Amsterdam. Rijksmuseum Printroom. As a pendant to the survey of landscape painting in the main galleries, the printroom is showing a fine selection of 100 17th century drawings devoted to the theme of Land and Water. Ends Jan 3.

Amsterdam Historical Museum. Contemporary photographs, utensils, menus and registers chart the rise and heyday of Amsterdam's grand hotels from 1860 to 1914. Ends Jan 17.

Amsterdam Rijksmuseum. A sweeping view of 17th-century Dutch landscape painting, with more than 100 works by over 50 artists tracing the development of the genre and its offshoots from the dense creations of Vinckboons and Savery via the chilly winters of Avercamp, the tranquility of Ruysdael, the golden light of Cuyp, the towering cloudscapes of Ruisdael, to the wooded scenes of Hobbema. Ends Jan 3.

Rotterdam Boymans-Van Beuningen Museum. From Ingres to Cezanne presents a rich choice from the museum's large collection of 19th century French drawings. Ends Nov 29.

Leiden Rijksmuseum voor Oudheden. Manuscripts, books and maps spanning 1,000 years of scientific imagination and knowledge. Ends Jan 17.

SPAIN

Madrid. Mark Rothko 1903-1970 includes 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

NEW YORK

Metropolitan Museum. 200 objects from the Age of Sultan Suleyman the Magnificent demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art. Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

Jan Kreugier Gallery. This new gallery is inaugurated with 60 Cubist works by Picasso from the Marina Picasso Collection with two decades of paintings, drawings, sketchbooks, collages and prints from 1907 to 1926. Ends Dec 10. 41 E. 57th, 6th floor.

WASHINGTON

National Gallery. A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

TOKYO

Japanese Ink Painting. A large exhibition of important paintings from 15th to 19th centuries gives an excellent overview of the japanising of Chinese ink monochrome painting styles. Out of this tradition came the Edo period (1600 to 1868) styles of the Sotatsu and Kano Schools, best-known for their large gold and silver decorated screens. Tokyo National Museum, Ueno Park. Ends Nov 23.

Cinema/Nigel Andrews

Just deserts for desert antics

Ishtar directed by Elaine May
Slamdance directed by Wayne Wang
Square Dance directed by Daniel Petrie
London Film Festival

Once or twice a year a major Hollywood studio, possessed by some nameless demon, breaks open its piggy-bank and finds a large, bottomless hole down which to pour the contents. *Ishtar*, a comedy-adventure starring Warren Beatty and Dustin Hoffman, is just such an instance. The studio concerned is Columbia, the piggy-bank sum involved is 40 million dollars, and the bottomless hole is a script by the talented writer-director Elaine May (of *A New Leaf* and *The Heartbreak Kid*).

This last item - the script, or the idea behind it - should never have been allowed to escape the pending tray. What if (it proposes) two *talentless* New York singer-songwriters (Beatty and Hoffman) get a booking in a small North African kingdom and fall foul, once there, of a revolutionary coup? In normal circumstances, this *note* towards a *memo* towards a sketchy notion for a modern Hope-Crosby "Road" comedy would have had studio moguls saying, "Yes, yes - what then?" But on this occasion the "What then?" is answered by the names Dustin Hoffman and Warren Beatty: two sticks of box-office dynamite worth 5 million dollars apiece (per film) and with scarcely a flop to call their own in the last ten years.

So off to Morocco on a blank cheque, and with a blank script, go May, Hoffman and producer-star Beatty. The long day begins, and *at 107 minutes Ishtar* is terribly long and terrifyingly unfunny. Never mind that each minute you do not laugh costs 380,000 dollars. The strain on Columbia's bank balance is as nothing to the strain on our patience and credulity.

We are asked to believe that Beatty and Hoffman, with their egregiously bad *songs* (which are not even funny-bad) would get a booking even in North Africa. We are requested to swallow Isabelle Adjani, fluttering cover-girl eyelashes and speaking wees a French accent, as a Berber terrorist *enlisting their aid*. We are expected to credit that Hoffman is the successful ladies' man while Beatty is a gauche loser in the sex stakes. And we are called on to guffaw helplessly at one or more of the following: a blind camel, Charles Grodin as a nincompoop CIA agent, Beatty and Hoffman donning burnooses, more antics from the blind camel, a shoot-out in the desert, and another song or two from the vocal duo who, when it comes to charisma, would yield top billing to Burke and Hare. It is no accident, one feels, that the title *Ishtar* is an anagram of "trashi;" or that this film comes to your notice on Friday the 13th.

*

I delight, to quote John Cleese in the *Monty Python* cheese-shop sketch, in all manifestations of the Terpsichorean muse. So in a week that brings *Slamdance* and *Square Dance*, one's feet tap eagerly, at least in anticipation. Come the movies themselves, however, one discovers that - far from having anything to do with dancing - the first is a loopy murder thriller directed by Wayne *(Dim Sum)* Wang and the second a Texas emotional drama starring Jane Alexander and Jason Robards.

Slamdance is the latest tribute to the glories that were *film noir*: that is, yet another pastiche-and-scissors job on the 40s-era Hollywood thriller. Tom *(Amadeus)* Hulce is the comic-strip artist involved in an obscure murder plot, as he *sleuths for truth through the* obligatory *noir* landscape: rain, darkness, night alleys, the hum of (seemingly) motiveless crime. Harry Dean Stanton, Adam Ant and goodness knows who else crowd around as the film asks, "*Who killed Yolanda Caldwell?*" But the more pertinent question, as the dialogue and direction fail to add any wit or visual energy to the ritualistic riddlings, is "Why should we care?"

From Wayne Wang, top Chinese-American director of *Chan Is Missing* and *Dim Sum*, one expected *more. From* Daniel Petrie, by contrast, one's expectations have long been honed to modesty. Petrie's speciality is dungaree movies. His characters in films like *A Raisin In The Sun* and *Resurrection* work the land *or live* on it or darn well want to get back to it. In *Square Dance* it is 13-year-old Gemma (Winona Ryder) who ups and leaves Grandpa's farm and heads for the bright lights of Fort Worth to live with long-lost, loose-living Momma (Jane Alexander).

But, golly gosh, these city folk are a *mite too grasping*, lustful and corrupt for a country girl. And despite Mum's solicitous surveillance of Gemma's puberty - "You gonna be a woman soon, you got the knockers" - the lass is soon off and running back to Grampa (Jason Robards).

Preachy and sentimental, the film is syruped over with music *and shot* in a grainy *haze* that suggests television origin. It also boasts, next to doughty work by Robards and Alexander, a performance of collector's-piece awfulness from Rob Lowe. As the heroine's retarded city boyfriend, the former *brat-pack heart-throb* here takes on his most challenging role and is mown down flat by it. Playing the *gentle idiot of* slow response and slurred speech, he looks and sounds as if he is trying to imitate James Stewart after having a novocaine injection.

*

In answer to the question, "Is there life in the cinema after a week like this?," the response is yes. It is to be found at the London Film Festival. Fresh from its baptismal *furore this week* - the withdrawal of the opening-night film about the IRA, *A Prayer For The Dying* - the LFF bounds on into further realms of quality and controversy.

Kon Ichikawa's *Actress* (14 and 17 November) has the veteran Japanese director cutting a trail through the history of his country's cinema, in a bio-pic of screen star Kinuyo Tanaka. Im Kwon-Taek's *Surrogate Woman* (14 November) is a dazzling costume melodrama from South Korea. Jan Schutte's *Dragon's Food* (14 November) is a Swiss-German answer to *My Beautiful Laundrette*, with two wittily mismatched heroes - Chinese and Pakistani - sallying forth *into the restaurant* business. And *Motherland Hotel* (17 November), from Turkish director Omer Kavur, is a tale *of macabre* goings-on in a hotel that is clearly twinned with the famous Bates establishment.

Unseen as yet by me but sung by others are Tony Palmer's film about Shostakovitch, *Testimony* (Empire, 20 November) and Patricia Rozema's comedy-fantasy about *feminism*, from Canada, *I Heard The Mermaids Singing* (19 November).

For the first time the festival is also mounting a video event, ranging all the way from J-L Godard's latest venture, *Rise And Fall* (28 November) to experimental work from New York, Birmingham and London.

More controversially, mixed in among the goodies and curios, are a score-or-so little-known quantities whose inclusion seems to be the sole inspiration of new *festival director* Sheila Whitaker. Political and/or feminist in hue, at least according to her *own* write-ups in the brochure, films like Spain's *The Senyora*, Holland's *Iris* and America's *Beirut, The Last Home Movie* bump into London short of any track record *at prior major festivals or of* any notable word-of-mouth.

The hapless Ms Whitaker has been on the receiving end of relentless flak about her politics ever since she came to the LFF. She is usually painted as a cross between Rosa Luxembourg and Leon Trotsky, and caricature is always *one of the first* weapons in a concerted witch-hunt. But there may still be a justifiable suspicion that some films in the LFF are getting in more for their subject-matter or ideological leaning than for their qualities as movies. Time and future festivals will tell. But the great merit of the LFF has always been its plurality of films - sometimes even *too* plural - and its pluralism of perspective. Long may those plurals continue, under Ms Whitaker as under her forebears.

Dustin Hoffman and Warren Beatty in "Ishtar"

Measure For Measure/Stratford

Michael Coveney

If *Measure For Measure* is an exposition of the guts and innards of a society's civic and moral behaviour, this revival in the Royal Shakespeare Theatre, Stratford-*upon-Avon*, is blessed with inspired visible sensuality.

It marks the RSC debuts of director Nicholas Hytner and his regular designer Mark Thompson, and unites in Stratford the impressive young Royal Exchange, Manchester, team completed by Mark Henderson (lighting) and Jeremy Sams (music).

The result is a powerful reading that casts a contemporary financial and moral collapse in the burnt-out mould of inter-War Europe. This notion of a great city in decay is first expressed in the overlaying of monumental gold-plated architecture with the tubular coloured modernism of Richard Rogers's Pompidou Centre. Angelo's assizes are convened in draughty halls with grim rows of canvas chairs and a ludicrous constabular clerk, Elbow (George Raistrick), who explains what Hitler was up to between house-painting and rabble-rousing.

Unlike Jonathan Miller, Mr Hytner is not pitching his tent exclusively in the Vienna of Freud and Schoenberg. He alludes to it in the decorum of spats and frock coats, the sumptuously atonal soundtrack, the awakening sense of a complicated inner life.

But the arc of the play here extends to the modern legacy. The stews erupt in a street scene tangily evocative of *West Side Story*, Phil Daniels as Pompey emerging from the smokey fray with the insolence of a totemic *hustler in shades*, pony-tail and trendy trunks. The Lucio of Alex Jennings, a key performance by this talented young actor, is precisely located, in demeanour and costume, as a yuppy Big Banger smoothly poised between the city and the *gutter*.

The central performances then project themselves against this scene of disintegration and devise drastic methods of coping with it. Roger Allam's Duke is aghast and distracted as he withdraws from the chaos. His clear strategy is to get in touch once more with himself through an obliteration of public persona.

His pragmatic adoption of the religious life is in sharp contrast with Isabella's true vocation as a Poor Clare novitiate. In stark blue coat and grey veil, Josette Simon evinces a tangible faith unspoilt by priggishness. Chastity is more to her than life.

So it is, too, for her condemned brother Claudio (Hakeem Kae-Kazim making splendid amends for his culpable Cinna in *Julius Caesar*) until he imagines himself for the first time in the cold embrace of death. This sense of characters discovering their true instincts is everywhere in this production. Mr Allam's acidic, investigative objectivity is transformed by participatory action when he hits on the bed-trick to save Claudio's life, Isabella's honour and possibly even Angelo's *face. He glows with* practical cunning.

The consequences of self-knowledge are catastrophic in Angelo's case, and Sean Baker's skin-pinched, boney Scottish Calvinist is torn apart by lust. The second interview becomes a rape scene, Miss Simon thrown to the desk and the floor at the expense *of dignity* and *the veil*.

This gazelle-like beautiful actress fails, though, with the full range of the role. Like so many of this season's leading ladies, she is technically underpowered. But she is good at registering disdainful resistance to the Duke's fumbling overtures, coldly immune to *the climactic* public tribute her virtue has excited. She has had it with men.

The prison scenes are outstanding, an overpopulated house *of correction* built inside a towering modernist brick house of commerce. It is characteristic of Mr Hytner to have established this nether penitential world so intelligently and efficiently. Cages are rattled in welcome for *Linda Spurrier's swishily smart* Overdone, and each new recruit (David Pullan's city slicker Froth has fallen at the second fence) is subjected to medical check-ups and humiliating body searches.

Alastair Muir

Josette Simon and Sean Baker

All My Sons/Stephen Joseph Theatre, Scarborough

B.A.Young

The chief fault with which Arthur Miller has charged his protagonist Joe Keller in this play is stupidity, not wickedness. *Wicked he is, for sure*; he sold the US Air Force 120 cylinder-heads that he knew to be cracked. But he believed, and still believes now the war is over, that it was his duty to keep his business prosperous so he could leave it to his son Chris, the elder son Larry having been reported missing; and given the *chance to lay the blame on his* partner Steve Deever, he did so from the same motive.

This is a fine play, well played by the company at the Stephen Joseph Theatre in the Round under Robin Herford's direction. It begins as if it were a romance. Joe's wife Kate (admirably played by Ellen Sheean) refuses *to believe that Larry is dead*, and disapproves of Chris's intention to marry Steve's daughter Ann, who had been engaged to Larry. She is not distressed that Steve is serving a sentence that, as we learn, she knows Joe has foisted on him; in her own way she is as foolish as her husband. Larry is her one concern.

The deceit is exposed when Ann's brother George, who, like her, believed Steve guilty, visits him in prison and learns some truths. When he comes to see the Kellers, he is almost talked round, but at two cunning theatrical moments he learns that Joe lied about the events of the fatal day, and that he knew the parts were defective when he delivered *them. Miller follows this* bleak situation to an extremely bitter end. If there is to be a fair future for anyone, we are not told of it.

Miller can have had little love for any of his characters. When the Kellers persuade Joe that he ought to sent himself to gaol, no *one mentions that it is more* important to get Steve released. Even Ann (Jenny Funnell), seemingly intended as good wife material, has been indifferent to her father's fate. Only Chris, so subdued a character that he woos his intended with the phrase "I love you a great deal," and the next-door doctor, a character of little import, are given a *decent ration of human feeling*.

They are both very decently played, Chris by Dominic Letts, Dr Bayliss by Stephen Mallatratt. Opposite Ellen Sheean's Kate, Peter Laird gives a first-class Joe, loud, confident of his own excellence, convinced that life is only for enjoying. All the characters are drawn in sharp detail that displays their *weaknesses beside* such virtues as they have (and, under Miss Sheean's coaching, speak acceptable Eastern American). The set, garden seats and a distant house frontage, is by Clare Bracewell.

Goehr and Berio/Elizabeth Hall and Radio

Andrew Clements

The London Mozart Players has put together an enterprising and substantial *series of concerts*, which is being toured around London and the home counties throughout the current season under the banner of "Music of Two Decades." Music from the 1780s is juxtaposed with works by *British composers of the* 1980s - Saxton, Benjamin, Matthews, Patterson, Harvey and many others.

Rather than commission a series of new works the LMP has settled on a policy of revivals, offering a useful and timely service, when nowadays a premiere is often easier to come by than the revival of a five-year-old score. So in the Elizabeth Hall on Wednesday, sandwiched between J.C.Bach's B flat Symphony Op.3 no.4, Mozart's F major Piano Concerto K.459 (with Tamas Vasary as soloist) and Haydn's *Symphony no. 87*, Jane Glover conducted Alexander Goehr's Sinfonia of 1980, a lucid, well-shaped account, deftly executed.

Commissioned by the English Chamber Orchestra to celebrate its 20th anniversary, and given its first performance under Barenboim, the Sinfonia is firmly sited in the *most recent period of* Goehr's music, that dominated by the composition of his opera *Behold the Sun*, recently broadcast complete for the first time on Radio 3. The clean-cut lines and rigorous formal structures *unambiguously establish its vintage*, but squeezed into the interstices of the strangely disproportioned six-movement shape - a first lengthy Introduction and Allegro balanced against five much shorter sections - is music of high expressive charge.

The problems of coming to terms with recent Goehr (and few composers seem currently to be writing music of more deceptive surface character) are those of reconciling its forbidding formal austerity and clipped melodic language with the powerful emotional charge that *seems to fuel it. They raised* questions about the opera, and on a less portentous scale about the Sinfonia too. There are moments when direct statements seem to leak out - the very opening bars of the work, the brief "Praeludium" placed second, the still briefer "Centrum" which follows it, and the *closing nostalgic* "Dankgesang" - while others, notably the mechanistic decorations that propel the first movement and dour, academic set of variations which winds up the fifth, offer music of impersonal terseness, so that the *final* impression of the Sinfonia is one of incompleteness, as if the central *thrust* of the work had only been partially realised.

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On Tuesday evening in Manchester's Free Trade Hall the BBC Philharmonic Orchestra was conducted by Luciano Berio in the first British performance of his *Formazioni*. Recent Berio scores of genuine weight are rare - the whole string of arrangements (most recently of the Brahms F minor Clarinet Sonata, reviewed here two days ago by Paul Driver) has often seemed to offer the composer a welcome refuge from the problems of forging an original language, and *something that does not imply* the limited dimensions and scope of a decorative miniature. *Formazioni* though, suggests an imminent return to large-scale writing, with the precious Berio ear *for memorable sonority* intact.

It's revealing, however, that the starting for this new work (completed last year) was the preoccupation with texture and timbral identities that has *fuelled much of Berio's music for* more than 20 years. *Formazioni* is concerned with setting up correspondences between congruent sounds, fooling the ear into mistaking their origins and exploiting those uncertainties expressively, and at the same time with the purely sensuous business of weaving glistening webs of ravishing *instrumental colour*. Those webs, defined by movement and instrumentation between antiphonally placed groups - deftly interlaced woodwind, brass volleys thrown from one side to the other *Gruppen*-style, *plunging sonorous pedals* shot through with snatches of lyric line - create an intensely seductive musical image. It is one which sustains itself almost purely on the assurance of its aural imagination and an *instinctive feeling for shape*, but those are properties which the best of Berio's music has always relied heavily upon.

Trisha Brown/Sadler's Wells

Clement Crisp

Four years ago Trisha Brown, one of the key figures of American post-modern dance, made a first London visit to Riverside Studios as part of the Dance Umbrella season. For this year's Umbrella she has returned to the better setting of Sadler's Wells, where *her dances* are to be more clearly appreciated. Certainly *Opal Loop*, which appeared cerebral rather than theatrical at Riverside, was revealed in Wednesday night's opening programme as a juicy and constantly *intriguing exercise for* four dancers, performed in silence. Its structure partakes of ideas from fugues, canons, even anagrams, as movement is broken, re-shaped, repeated, echoed, and in the closing section, subjected to analysis as we watch a duet which is framed by two other dancers who each mirror one of the participants in the double-work.

I found this the most satisfying work in an evening which began with the *Set and Reset* that we also saw in Miss Brown's earlier season. Its theme seems to be liquidity of dance style as the cast drift and curl and undulate in their elegant gauzy outfits of trousers and tops designed, like the gauze box and pyramids *above their heads - flickering* all the time with grey television images - by Robert Rauschenberg. *Set and Reset* looks quintessential Trisha Brown, the movement cleverly organised, varied in pace from dangerous speed to relaxed lopings. It is, alas, accompanied by a soundtrack extinguishingly foolish from Laurie Anderson, combining a fire-alarm bell and simple-minded *tootlings. It is one of the* curiosities of post-modernism that supposedly sophisticated dance should opt for nugatory sound tracks. Since the dance and its accompaniment have little or no rapport, could we not be allowed to hear pleasant noise or even, perish the thought, music?

The background din for the closing *Newark*, Miss Brown's latest creation, is no more than occasional fog-horn blasts - for which relief much thanks. Rather less thanks, though, for the work itself, which is one of those earnest outpourings of movement that is charitably described as austere, by which term considerable dullness is implied. There are jolly scenic effects obtained from the arrival of act drops in solid ochre, red, blue, terracotta, which enlarge or diminish the dance area. The cast of seven wear grey leotards and alternate between funny walks, falls, little journeys across the stage, and playing statues. There are certain comparisons to be made with Merce Cunningham, but this is Cunningham *without* his vivid sense of physical drama. The dancers, as in everything, have a dedicated air, but they seem most cogent and admirable in the preceding choreographies.

Arts guide

November 13-19

Continued from Page 22

Opera and Ballet

LONDON

Royal Opera Covent Garden. Further performances of the new production by *Elijah Moshinsky of Die* Entfuehrung, the first to be presented in this house. Georg Solti conducts, and the cast includes Magda Nador, Deon van der Walt, Lillian Watson, and Kurt Moll as an incomparable Osmin.

English National Opera Coliseum. The latest Jonathan Miller production for the ENO is a new Barber of Seville, a much needed renewal of a house staple. Della Jones, Britain's leading Rossini mezzo, heads a cast including Patrick Power, Alan Opie, Rodney Macann, and John Connell; Mark Elder conducts. Also in repertory are further performances of the latest revival of Miller's Mafia style Rigoletto, with John Rawnsley *returning* to the title role, and of the musically stylish, dramatically disappointing new Pearl Fishers, redeemed by Bizet's beautiful score and the excellent singing of Valerie Masterson, Adrian Martin and Anthony Michaels Moore.

Royal Ballet Royal Opera House, Covent Garden. A Stravinsky triple bill on Friday with Bernard Haitink conducting. The Dream, Galanteries and The Concert are at *matinee* and evening on Saturday, and then Swan Lake is performed on Tuesday.

London Contemporary Dance Theatre Sadler's Wells, Roseberry Ave. The autumn season starts with *performances of* Robert Cohan's *new* The Phantasmagoria.

PARIS

Trisha Brown Dance Company. *Starting from the legendary* Judson Church studio, Trisha Brown has progressed from an austere abstraction to a more winsome theatrical expression. *Theatre de la Ville* (42742277).

Denmark's Royal Ballet produces La Sylphide with Ib Andersen at the *Theatre des Champs Elysees* (47203637).

Rosalind Plowright in the title role of Bellini's Norma, tragic and romantic Pier Luigi Pizzi new production. Alternates as before with Magnificat at the Paris Opera (47425371).

Peter Maxwell Davies' Cinderella turned into an exploited au pair girl is in an Opera Jeune Public at the Opera Comique (47425371).

Porgy and Bess at the TMP Chatelet.

NETHERLANDS

Scheveningen Circus Theatre. Swan Lake, with the Ballet and Orchestra of the Prague Opera (Mon).

Amsterdam Muziektheater. The National Ballet company with the world premiere of a new ballet by Toer van Schayk, Diamonds (Tchaikovsky/*Balanchine*), and Vier Letzte Lieder (Strauss/Van Dantzig) (Mon, Wed, Thur). Donizetti's Don Pasquale performed by the Netherlands Opera directed by Renate Ackermann; Bruno Campanella conducting the Netherlands Philharmonic, with Henk Smit, Christine Barbaux, William Shimell and Raul Gimenez (Tue) (255 455).

Eindhoven, Schouwburg. The Royal *Ballet of Flanders with Me and My* Girl (Thur) (11 11 22).

NEW YORK

Metropolitan Opera. Fabrizio Melano's new production of Il Trovatore highlights the week. Richard Bonynge conducts, with Joan Sutherland, Fiorenza Cossotto and Luciano Pavarotti. Continuing are Franco Zeffirelli's production of La Boheme conducted by Julius Rudel with Roberta Alexander and Brian Schexnayder, Otto Schenk's production of Die Walkuere, conducted by James Levine with Hildegard Behrens, Timothy Jenkins and Hans Sotin, and Franco Zeffirelli's production of Tosca, conducted by Christian Badea with Eva Marton, Sherrill Milnes and Italo Tajo. Lincoln Center (Opera House)(362 6000).

New York City Opera. The final production of the season is a double bill of Mozart's The Goose of Cairo and Oliver Knussen's Where the Wild Things Are. Lincoln Center (870 5570).

Joffrey Ballet. The month long schedule has three premieres *including* a Robert Joffrey Nutcracker, Nijinsky's Le Sacre du Printemps and Three Preludes by Ben Stevenson set to Rachmaninov, along with Frederick Ashton's La Fille Mal Gardee and nearly two dozen repertory favourites. Ends Nov 22. City Center 55th st. of 7th Av. (947 58580).

New York City Ballet. Highlights of the three month winter season include the return *of George Balanchine's* three act Jewel as well as Bugaku, Divertimento, Raymonda Variations and Symphony in C; Jerome Robbins' Piano Pieces, The Cage and The Concert and Peter Martins' Ecstatic Orange. Ends Feb 21. Lincoln Center (496 0600).

WASHINGTON

Washington Opera. Madame Butterfly conducted by Guido Ajmone Marsan with Yoko Watanabe in the title role joins Romeo et Juliette conducted by Cal Stewart Kellogg, featuring Angela Maria Blasi and Neil Wilson in the title roles. Kennedy Center (Opera House) (254 3770).

ITALY

Rome. Autumn season opens with Rimsky-Korsakov's La Sposa dello Zar conducted by Mstislav Rostropovich and directed by Galina Vishnevskaya, with scenery and costumes by Zack Brown. The cast includes Lajos Miller, Stevka Mineva, Dimiter Petkov and Vjaceslav Polozov. (Tues and Thurs) (46.17.55).

Bologna Teatro Communale. Season opens with a new production by Pierluigi Pizzi of Wagner's Das Rheingold, sung in German by Hermann Becht, Anne Gjevang, James Johnson, Helmut Pampuch and Hermann Winkler, conducted by Peter Schneider. (Tues, Thurs) (529999).

Florence Piccolo Teatro. Two ballets, performed for the first time this season Il Buffone by Egon Madsen, to music by Prokoviev, and Six *Characters in Search of an Author* by Orazio Messina, based on the Pirandello Play with Music by Respighi (Sun, Tues, Wed, Thurs).

Turin Teatro Regio. Wagner's Siegfried conducted by Zoltan Pesko and directed by Gianfranco de Bosio, with scenery by the Hungarian designer Attila Kovacs and costumes by Zanturza Cali. Largely German cast includes Gerd Brenneis, Graham Clark, Boris Bakov, Otrun Wenkel and Anne Evans (Brunnhilde). (Sun, Thurs) (548,000).

Trieste Teatro Communale Giuseppe Verdi. Pietro Mascagni's L'Amico Fritz in its first performance here for over 30 years. The conductor is the young Italian Evelino Pido and the director is Mario Zanotto. In the cast are soprano Cristina Rubin and Pietro Ballo (Fri, Sun, Wed) (631948).

Rome Teatro Olimpico. Carolyn Carlson in Solo (Blue Lady); choreography by Carolyn Carlson and Music by Rene Aubry (Wed, Thurs) (393304).

WEST GERMANY

Berlin Deutsche Oper. Lichtknall, a ballet specially composed by Erhard Grosskopf for the 750th anniversary of Berlin, will have its world premiere this week. Choreography by by Lucinda Childs, costumes by Achim Freyer. Soloists are Betrice Belando, Dianne Bell, Katalene Borsboom, Raffaella Renzi, Yannick Boquin, Tomas Erdosi, Lubomir Kafka and Jan Vandeloo. Der Fliegende Hollaender features Janis Martin, Bengt Rundgren, Toni Kramer and Robert Hale.

Hamburg Staatsoper. Don Pasquale, a Franz Marijnen's production with the cast including Hellen Kwon, Paolo Montarsolo; Urban Malmberg and Kurt Streit. *The Marriage of* Figaro brings Linda Plech, Christina Hogman, Deborah Massell, Gertrud Hoffstedt, Thomas Lander and Ralph Houston together.

Frankfurt Opera. John Cage's operas Europeras 1 and 2 will have its premiere this week. He will also be the producer. In the main parts are Harolyn Blackwell, Michal Shamir, Eliane Coelho, June Card and Seppo Ruohonen. Also in the repertory Iphigenie in Aulis and Iphigenie auf Tauris, and Cosi Fan Tutte, all conducted by Gary Bertini.

Saleroom/Susan Moore

After Van Gogh...

Van Gogh's "Irises" - sold for $53.9 million or £30,187,623 - was not the only work of art to set a world record price for an artist at auction on Wednesday *evening at Sotheby's in New* York. Monet's "Le Jardin Fleuri" reached a record high, $5.83 million, as did a Beckmann self portrait painted in 1925, changing hands at $1.54 million. Salvador Dali's "The Battle of Tetuan," *based on Mariano Fortuny's canvas* of 1862-63, scored another success ($2.42 million).

At the lower end of the market, an auction record for the sculptor Medardo Rosso was established when his wax "Man *Reading" of 1894 made $154,000.*

Big prices were also achieved for Braque's Cubist "Violin" painted in 1914 ($3.3 million), and Monet's "Chrysanthemums" ($2.42 million). His view of Antibes, "Vue du Plateau Notre-Dame," and Renoir's "Head of a Young Girl" both also made around the $2.5 million mark. *Eighty seven per cent of the 96* lots were sold - for $110.22 million.

Yet *another* record price was set on Wednesday, this time at Christie's in Munich. A private collector paid the equivalent of £ 251,000 to become the new owner of Carl Spitweg's "The Night Guard," painted in the late 1870s.

London dealers were bidding in force at Sotheby's in Geneva. In Wednesday's jewellery sale in Geneva Graff paid £1,325,670 for a 22.84 carat pink marquise diamond ring by Harry Winston. A pair of pear-shaped diamonds, each weighing over 17 carats, and again flawless, went to another London dealer for £842,912. The sale totalled £7,412,946.

At yesterday's clocks and watches sale the London trade secured a rare musical automaton *table clock, the dial signed* Jas.Cox London, for the top price of the auction, £$87,018, and another London made piece, an early 18th century silver mounted bracket clock by Lagisse et Fils, for £20,527.

Clocks were also selling surprisingly well in England. At the auctioneers Dreweatt Neate in Donnington Priory, Newbury, a late 19th century Neo-Classical style Faberge clock realised an astonishing £54,000. Yesterday at Bonhams over twice the estimate, £44,000, was paid for a Thomas Thompion burr walnut *longcase* clock of a month's duration.

Sotheby's reported a good sale *of violins, violas and violoncellos* yesterday which totalled £1,139,193 - although one of the two *violins on offer* by the famous Cremonese master Antonio Stradivari failed to sell. The ex-Lafont, made *in* 1699, was bought in at £150,000, but a new owner was found, a private German bidder, for the 1711 ex-Vogelweith at £165,000.

FINANCIAL TIMES

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Friday November 13 1987

Revolution from above

THE SACKING of Mr Boris Yeltsin, the most radical member of the Soviet communist leadership, is the first serious defeat for perestroika, the political and economic restructuring programme launched by Mr Mikhail Gorbachev.

At the end of the day Mr Gorbachev was not prepared to divide the top ranks of the party in order to save Mr Yeltsin. Instead he limited the extent of his political defeat over the Yeltsin affair by promoting Mr Lev Zaikov, a close political ally and a full member of the politburo, to take Mr Yeltsin's place as party leader for Moscow.

The problem for Mr Gorbachev is that he must use the Communist Party as his instrument for change in reforming the way in which Soviet society is run, yet he also needs to reform the party itself. Hence he has always been careful in the past not to personalise disputes over policy or to drive conservative opposition into a corner.

It was this policy of carefully preserving party unity which was threatened by Mr Yeltsin's speech to the central committee on October 21 in which he accused the bureaucracy of sabotaging reform in Moscow and pointed a finger at Mr Yegor Ligachev, number two in the politburo, as the leader of the conservatives within the leadership.

Populist style

Unity has been preserved but at a heavy price. The departure of Mr Yeltsin is bound to be seen in Moscow and the rest of the Soviet Union as a setback for reform because it is he, more than any other Soviet leader, who has put into practice the principles of democracy and freedom of expression which Mr Gorbachev frequently recommends.

Put in charge of Moscow at the end of 1985, he replaced Mr Viktor Grishin, whose administration was corrupt and incompetent even by the low standards of the later years of Mr Brezhnev. From the beginning he adopted a populist style, travelling to work by bus and and struggling to improve public transport and housing.

Success was limited but Mr Yeltsin's efforts made him extremely popular in the soviet capital. He himself saw the frustration of many of his projects as being the result of resistance from the bureaucracy which he denounced as secret saboteurs of perestroika.

Yet he was never the leader of a faction within the leadership. His pugnacity and honesty recalled Mr Nikita Khrushchev in its lack of long-term strategy rather than Mr Gorbachev. By taking on Mr Ligachev at the last central committee meeting he was attacking the guardian of orthodoxy within the party whom the Soviet leader could not afford to alienate even if he wanted to.

Real differences

At the beginning of next year the first of the economic reforms, radically changing the way Soviet enterprises are run, will be introduced. Not only will the authority of some 18m Soviet managers and administrators be affected but so will the standard of living of much of the rest of the population. With these changes impending it is not surprising that Mr Gorbachev feels he cannot afford any splits at the top.

Yet these divisions will be difficult to avoid since they are based on real differences about the direction Soviet society should be taking. Mr Ligachev is not conservative in the sense of wishing to preserve the status quo of the Brezhnev years but he does want to clean up the system without fundamentally changing it. Mr Gorbachev's plans for reform are much more radical.

For Soviet advocates of radical change the manner of Mr Yeltsin's departure is almost as damaging to reform as the event itself. His offer to resign was kept secret for a week and then confirmed by senior Soviet officials to foreign and Soviet journalists but not a word of this appeared in the Soviet press. Instead 9m Muscovites had to learn about the fate of the leader of their city from foreign radio just as they had done under Mr Brezhnev.

This shows the extent to which Mr Gorbachev's "revolution without shots" is still a revolution from above. It is also bound to damage public confidence in greater democracy and freedom of expression, the lack of which, Mr Gorbachev said in his speech commemorating the 70th anniversary of the bolshevik revolution, had doomed past Soviet efforts at political and economic reform.

US goals for trade in services

THE NEW US proposals to the General Agreement on Tariffs and Trade for liberalisation of trade in services are a welcome effort to stimulate debate in one key area of the Uruguay round. They should be seen, however, as simply the opening shot in a protracted and complex negotiation whose outcome is still highly uncertain.

It was inevitable that services should initially take a back-seat role in the new round. The first year has been largely devoted to defining an area which is new to the Gatt and on which little data has hitherto been available.

Beyond this lies the problem of reconciling traditional Gatt concepts for trade in goods with the much more complex area of services. It is easy to identify a barrier to trade in goods and quantify its cost when it takes the form of a tariff. It is harder to do so with non-tariff barriers, but immeasurably more difficult with barriers to trade in services, most of which are rooted in national regulatory regimes.

Free trade in services generally requires the right of companies to establish a physical presence in the "importing" country. That in turn raises fundamental questions about labour mobility, freedom of investment, the role of state monopolies in sectors such as telecommunications and broadcasting, as well as the degree to which national regulators should be allowed to discriminate against foreign concerns.

The main thrust of the US proposals is to establish the principle of national treatment as the basis of a voluntary and flexible code which could apply across the whole spectrum of service industries. Signatories would have to accord to foreign firms the same rights of establishment, market access, licensing and regulatory treatment as domestic firms.

Local rules

The proposals also cover cross-border trade in services. This should be welcomed by UK insurance companies whose long-standing ambition to write life policies in Germany from their cheap local base has been thwarted by local rules. However, the US suggests only that cross-border trade should be liberalised, "where there is no reasonable basis to require local establishment," a vague concept which leaves Germany plenty of room to remain obstructive.

The US has carefully avoided listing detailed proposals for specific sectors. As soon as the practical implications are examined, however, it becomes evident how radical and controversial the approach is.

For example, US restrictions on interstate banking would not be compatible with these proposals if they had ever been applied inside its own borders. There is no right of establishment between states. Furthermore, the restrictions are specifically designed to prevent more competitive banks from spreading into neighbouring states. If the US has been unable to make the principle of right of establishment *cum* national (or rather state) treatment effective within its own borders after more than 200 years, one has to wonder whether it is a practical basis for negotiation among sovereign states today.

US restrictions

Consider another striking implication. US insurance companies would be allowed to set up shop in Korea, but the hardly acceptable corollary in construction is that successful Korean firms with their cheap labour force would be free to move into the US.

National treatment could be unfair in yet other ways. US banks would be able to benefit freely from universal banking markets like that of Germany, but German banks would still be caught up in all the US restrictions arising from the Glass-Steagall legislation.

It would be nothing short of a miracle if the Uruguay round resolved all these practical difficulties. Nor does success or failure of the round itself depend on progress on the services issue.

After a year of talks, trade politicians have realised that the round will be judged more by what it produces in familiar areas like agriculture, the elimination of increasingly vexatious non-tariff barriers to trade in goods, and the strengthening of the Gatt system itself - on which everything else in any case depends.

Yet the role of service industries in the world economy is growing. Gatt needs to tackle this if it is to retain its relevance to the 1990s. The US proposals recognise this objective, but they are also extremely ambitious, and there is still a long way to go.

THE NIGERIAN ECONOMY

Winning, against all the odds

By Tony Hawkins

AT LAST, the International Monetary Fund and the World Bank may be able to claim a success story in black Africa's most powerful and populous state.

Over the past two years, Nigeria has been taking an economic prescription which has proved too harsh for most other states on the continent. Its economic prognosis has improved out of all recognition: the first phase of an IMF-backed reform programme has yielded results exceeding even the most optimistic forecasts.

The country's currency, the naira, has been devalued by 66 per cent, removing the single most important obstacle to the recovery of an economy devastated by mismanagement, corruption, and the fall in the price of its main export, oil. After years of stalemate between the IMF and successive governments in Lagos, President Ibrahim Babangida has set in train a programme of reforms which, against all odds, seems to be laying the basis for sustained economic recovery.

On taking power in a military coup in August 1985, President Babangida inherited a country vehemently opposed to what was seen as interference by the IMF. Within a matter of months, he had defused this resistance by presenting the changes as home-grown measures simply endorsed by the Fund.

Since then, almost all price and import controls have been abolished and tariffs have been revised, substantially improving the flow of foreign exchange to agriculture and industry while reducing the country's heavy dependence on oil by boosting non-oil exports. Interest rates have been deregulated and the money supply has come under stricter control. And so far at least, dire predictions of rampant devaluation-driven inflation have proved unfounded: inflation is put at 10 per cent to 15 per cent, well below the Third World average of 36 per cent.

The reforms also paved the way for rescheduling the country's $21bn (£11.8bn) external debt, reducing the intolerable burden of debt service payments which would otherwise have consumed some 81 per cent of export earnings next year.

It is far too early to pronounce the restructuring programme an enduring success - at least until commercial banks resume lending to Lagos, currently suspended. But if IMF-style policies can be seen to yield positive results in Nigeria, it will have significance far beyond the country's borders.

The agenda for further change is formidable: in recent weeks, Nigerian ministers have made clear that they intend to push through further reforms including: the removal of politically sensitive subsidies on domestic petrol consumption, a reduction in the fertiliser subsidy and higher tariff charges for public utilities, especially electricity, water and telephones. The moves are likely to be announced in next year's budget, to be published in January.

Such medicine would be bitter under any circumstances, but in Nigeria's case, it is all the more unpleasant given the fact that real living standards have fallen by more than 40 per cent during the past 10 years.

Picture by Ashley Ashwood

Previous governments espoused a succession of austerity programmes which, bolstered by costly and ineffective administrative controls in the early 1980s, exacted a heavy toll in terms of employment and living standards. Urban unemployment is estimated to have risen from 7 per cent in 1983 to 12 per cent a year ago, and the rate has continued to climb since. The urban unemployment problem is most severe in the case of secondary school-leavers - more than 40 per cent are believed to be without work.

Rising unemployment has been accompanied by falling real incomes. One official estimate suggests that real urban incomes have virtually halved since 1980, with the unusual result that average living standards in rural areas are probably as high, if not higher, than in urban areas. President Babangida and his advisers justify their reform programme on the grounds that Nigeria's economy would have continued to deteriorate in this way had they not intervened.

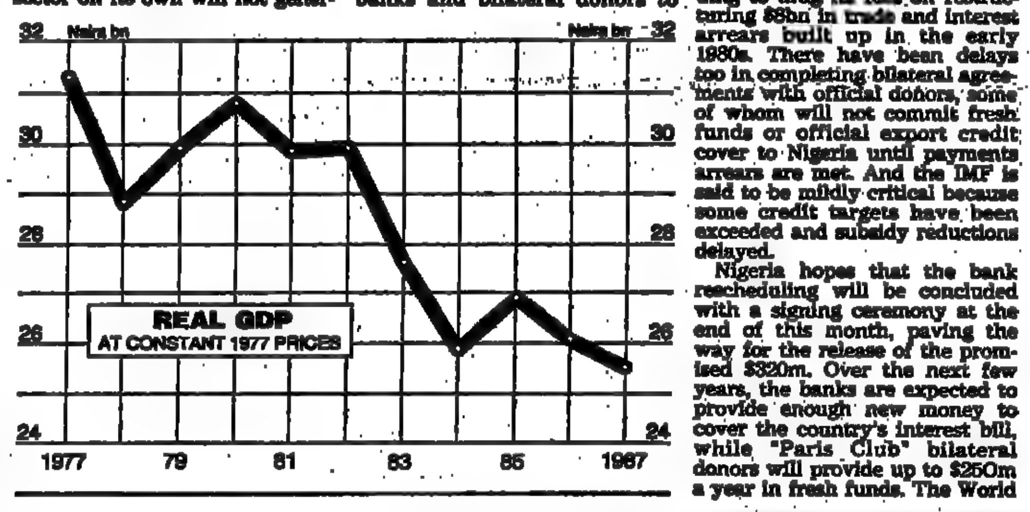
By boosting incomes and employment in export and import substitution industries, policy changes have opened the door to growth in the non-oil economy. This has been most apparent in the cocoa sector, belying a widely held theory that tree-crop production takes several years to respond to improved price incentives because new plantings require several years to mature. In fact, improved export markets and prices (the price paid to cocoa farmers has increased by four to five times since the reform programme was launched) have meant that previously neglected cocoa and rubber trees are being brought back into production.

The dismantling of state-owned commodity boards which previously set artificially low prices for exports like palm oil, cocoa, cotton, rubber and groundnuts has also encouraged production.

The performance of non-oil exports is crucial to the success of economic restructuring. In 1985, such exports were valued at some $320m, or 2.5 per cent of total exports, compared with 66 per cent in 1965.

But expansion of the non-oil sector on its own will not generate sufficient growth to keep pace with a 3.3 per cent annual increase in population. Support from Nigeria's creditors and donors abroad is essential. The Government's strategy is based on the assumption that the country's external creditworthiness, currently at a low ebb, will be restored to enable Nigeria to achieve the ideal of "adjustment with growth."

So far, there appear to be more grounds for optimism about future domestic policy than about the foreign contribution. What is worrying Lagos - and also it seems the World Bank, which has played an uncharacteristically high-profile role in the Nigerian programme - is the reluctance of foreign commercial banks and bilateral donors to support the country's efforts financially, despite the impressive results achieved so far.



According to Dr Chu Okongwu, the Finance Minister, rescheduling agreements last December with both commercial banks and bilateral donors cut last year's debt-service ratio (the ratio of debt repayments to export earnings) to 21.6 per cent from 42 per cent. In the current year, when the ratio without rescheduling would have been over 80 per cent, it is expected to fall to 24 per cent (excluding arrears built up in the interim).

But last year's bank rescheduling, which commits the banks to providing $320m in new funds to Nigeria, has yet to be completed: bankers blame Lagos for continuing to drag its feet on restructuring $8bn in trade and interest arrears built up in the early 1980s. There have been delays too in completing bilateral agreements with official donors, some of whom will not commit fresh funds or official export credit cover to Nigeria until payments arrears are met. And the IMF is said to be mildly critical because some credit targets have been exceeded and subsidy reductions delayed.

Nigeria hopes that the bank rescheduling will be concluded with a signing ceremony at the end of this month, paving the way for the release of the promised $320m. Over the next few years, the banks are expected to provide enough new money to cover the country's interest bill, while "Paris Club" bilateral donors will provide up to $250m a year in fresh funds. The World Bank will spearhead the Nigeria support operation with loans of $1.3bn a year and the African Development Bank is to provide up to $300m annually.

These inflows are crucial to the success of the Nigerian gamble: economic growth cannot resume without an increase in imports. At the same time, any reduction in the funding of the country's innovative foreign currency auction - donors top up Nigeria's export earnings sold at auction - would also jeopardise the programme by putting new downward pressure on the exchange rate.

Many observers expect the currency to stabilise close to current levels of around N4.5 to the US dollar, but this will happen only if inflows from exports and capital can finance a significant increase in imports next year. The gap between the free market auction rate and those in two parallel markets - the so-called autonomous fund interbank market and the black market - has been narrowing recently, suggesting that the naira is reaching a more sustainable level.

While the severity of the foreign exchange crisis should ease over the next few years, it seems clear that growth will continue to be constrained by shortages of essential spare parts and raw materials. While non-oil exports are responding to currency depreciation - $1.5m worth of Nigerian textiles were sold to the US for the first time this year - capital flows have been disappointing and the repatriation of earnings from non-oil exports has also fallen short of expectations.

Under these circumstances, real gross domestic product is forecast to fall 2 per cent to 3 per cent this year, but to begin to recover in 1988. Industry, currently operating at 25 per cent to 30 per cent capacity, will rebound strongly provided that the shortage of imported inputs can be eased next year.

Some modest reflation is being undertaken with the repayment of N1.2bn (£150.9m) of overdue government debts, mainly to contractors, expenditure of N500m by the Directorate of Foods, Roads and Rural Infrastructure, and the resumption of some capital projects. A review is promised in January of fringe benefits to government employees, such as housing allowances, with a view to boosting domestic spending power. Nigerian policymakers will have to tread a delicate tightrope in the 1988 budget, offsetting big increases in the price of petrol and public utility charges with some increase in take-home pay.

There are difficult policy decisions to be made too about the privatisation and commercialisation of state-owned companies, the possibility of allowing debt-equity swaps, and on foreign investment, where past policies have deterred rather than encouraged capital inflows.

The prospects for success are far better than seemed likely a year ago, but the risks are obvious. While the immediate political outlook appears stable, the record shows that in Nigeria, there is always someone waiting in the wings who believes he can do better.

Men and Matters

Cheaper calls for DES

Only a landlord now stands in the way of the the Civil Service making its first big switch away from British Telecom telephone services in favour of BT's upstart rival, Mercury.

The Department of Education and Science is waiting for formal clearance from the landlord of its Waterloo headquarters to install the rooftop satellite dish that comes with the Mercury telephone contract.

"There is something peculiar about the way BT charges for calls," the department says. "Mercury charges the customer only when the call starts. BT, however, charges on the basis of two-minute charging periods. If your call starts in the middle of a period, you are charged for the whole two-minutes."

The message from Mercury is that local calls from the DES made through its network will be 30 per cent cheaper, and the department will save 16 per cent on its trunk calls.

"BT does not challenge our figures," a delighted DES spokeswoman says.

Initially, the change will save the DES £10,000 a year on its £140,000 annual telephone bill. The savings are expected to rise to £30,000 a year. "We will go over to Mercury completely once Mercury's coverage expands across the country," says the DES.

Daily bread

Sir James Goldsmith seems to have lost none of his ambition to own a daily newspaper. The Anglo-French dealmaker is currently negotiating to take control of the Quotidien de Paris, a centre-right French daily which has become more widely read as a result of the rival Le Figaro's increasingly right-wing pamphleteering tone.

The negotiations between Goldsmith and the Quotidien de Paris were confirmed yesterday by Philippe Tesson, the daily's publisher, who owns virtualy 100 per cent of the paper's capital. But Tesson suggested the outcome of the negotiations was still uncertain.

Goldsmith, who sold his controlling stake in Generale Occidentale (GO) to the French CGE group this summer, is apparently prepared to invest about FFr100m in the newspaper. At the same time, Tesson suggested that another minority partner could join in the venture.

Although Goldsmith sold out from GO this summer well before the bourse collapse, he has remained president of the editorial committee of the French news magazine L'Express controlled by GO, whose new chairman is Ambroise Roux, the former head of CGE and one of the major eminences grises of the French business establishment.

End products

When Lord Young, the Trade and Industry Secretary, visits the former steel town of Consett in County Durham today, it will be a moment of triumph for David Langston, an American.

Young will be opening a new factory for Langston's company, Blue Ridge Care, which now makes a million disposable nappies a day.

Langston, 44, researched the British market four years ago when the US company he then worked for was looking for somewhere to expand its nappy-making interests. At the time disposables had under 15 per cent of British nappy sales

When his employers pulled back because of pressures in the US, Langston decided to go it alone with £100,000 of his own money, £800,000 of venture capital, and generous grant aid from the government for doing it all in Consett. He moved his wife Deborah from South Carolina, and they settled in Newcastle.

The gamble paid off for all. The company now employs 180, turnover has doubled each year since 1984, and is now approaching £18m. Langston is less than impressed with British weather. But he says that the climate for entrepreneurs is outstanding.

Not Wellcome

It is rare that journalists have much sympathy for the subjects - or victims - of their efforts. So there was an outburst of paranoia yesterday at the Wellcome Foundation press conference when the tables were for once turned on the writers.

First one scribe was told at the door that he was "not welcome". Then those who did penetrate the meeting found that the paparazzi - well, one photographer - was taking snaps of them. At last they knew what Lady Di has had to suffer.

Wellcome says there was nothing sinister in the picture-taking. Apparently some of us may soon achieve fame in the company's house magazine; who knows we may be recognised in Sainsbury's.

But journalists are constantly suspicious of attempts to silence them. The writer who had been escorted from the building by a security guard, James Erlichman of the Guardian, who is well-known for asking embarrassing questions of chemical and drug companies, had recently published a critical article about the profits Wellcome might make from its AIDS treatment Retrovir, making allegations which Wellcome had denied. Apparently Wellcome's press office felt that further dialogue between themselves and Erlichman would not be productive.

China dish

"China already has some of the finest dishes in the world. Now it has one more," said a beaming Richard Mayer, chairman of Kentucky Fried Chicken International as the latest addition to the American fast food chain opened in Peking yesterday.

Prancing lion dancers celebrated the event, overlooked by a 10ft portrait of Col. Sanders. US ambassador, Winston Lord, proclaimed to a crowd of onlookers that the chicken lived up to its reputation of being "finger lickin' good."

Chinese customers said they found the taste all right, but were reluctant to make comparisons with their traditional methods of cooking chicken.

The three-storey restaurant, seating 500 customers and capable of serving 2,300 pieces of chicken per hour, is the biggest in the Kentucky Fried Chicken international network, and the first in the communist world.

Kentucky Fried Chicken president, Steven Fellingham, said it was hoped to open outlets in Shanghai and Canton within two years, and two more restaurants in Peking were possible by the end of 1988.

Fallen idol

Francis Maude, recently appointed as minister for corporate and consumer affairs, apologised to his lunchtime audience yesterday for shifting constantly from foot to foot.

It was not only because he was a shifty character, he said. On Wednesday, not two hours after launching a campaign to promote safety in the home, he had fallen down stairs and sprained his ankle.

Bird brain

A City man who went to buy a parrot was asked to to choose betweeen three birds sitting on their owner's arm.

"How much is that one?" he asked, pointing to the one nearest the wrist. "£1,000 - but it speaks French".

"And the middle one?"

"£2,000 - but it speaks French and German".

"And the one by your elbow?"

"£3,000. It doesn't do anything but the other two call it the senior partner".

Observer

POLITICS TODAY

In the financial tempest, a still, small voice of calm

By Malcolm Rutherford

VAN GOGH'S Irises sold for more than $50m in New York, so after "the events of October" is the world back to normal?

It seems to me that judgment must be suspended for a little longer. There may not be an international economic crisis. All of the words in that phrase are slightly suspect. But it is still quite useful shorthand.

What we are seeing is a test of international co-operation: whether the political processes in the US can combine to put that economic house in order, whether the Americans will agree to seek a period of exchange rate stability on the basis of a strengthened Louvre accord, and whether the West Germans and the Japanese will do their bit.

It is by no means certain that the results of the test will be positive and it is only small consolation that Britain is not in the front line. We should know more the weekend after next, the most likely date for a meeting of the Group of Seven (the main industrial democracies). Meanwhile, everything else that is going on seems slightly unreal. It is business as usual, but in a turbulent, unpredictable climate.

'The rise of a dismal science'

TWO DISTINGUISHED former British Cabinet ministers gave lectures this week on broadly the same subject. Lord Hailsham delivered the annual Granada Guildhall lecture on the future of Cabinet government and the recently ennobled Mr Roy Jenkins spoke at the London School of Economics under the aegis of the Institute of Contemporary British History. Mr Jenkins's theme was the changing patterns of British government, ranging from Asquith to Mrs Thatcher via Baldwin and Attlee.

There was no great intellectual clash. What strikes one on reading them is, first, what conservative commentators both Hailsham and Jenkins are. Parts of their lectures could be interchangeable and their heroes lie in the past. Second, the point is not how much the pattern of British government has changed in the course of this century, but how little.

Some changes are indisputable: the growth in the volume of government business, for example. Hailsham notes that the reforming Liberal administration of 1911, on which Jenkins is an expert, passed less than 500 pages of public general legislation. "The Conservative Governments of 1979-87 seldom do much less than 3,000 with another 10,000 pages of subordinate legislation."

There has also been the rise of the Treasury, as the sums of money handled by central government have become inexorably larger. Hailsham records that the controversial budget introduced by Lloyd George in 1909, including the beginning of social security, accounted for "a beggarly 150m (golden) sovereigns. The budgets of Geoffrey Howe and Nigel Lawson, supposedly devoted to economy, top 150bn (paper) pounds".

In the first half of the century, Prime Ministers, even when they had previously been Chancellor of the Exchequer, seem to have paid little attention to economic policy. That was true even of Baldwin, who presided over a slump, then a recovery. Jenkins claims that Attlee's interest was not much greater, but notes that by the time Attlee became Prime Minister "the dismal science had become far more central to government. This gave his Chancellors, especially Stafford Cripps, a very dominant position."

That was a sea change. Jenkins does not argue, although he could have done, that the test of any recent British Government has been whether the Prime Minister and the Chancellor are working effectively together.

Another change arose from foreign affairs. Jenkins records that neither Asquith nor Baldwin attended an international conference in their capacity as Prime Minister. Subsequently the prime ministerial presence at such meetings has become commonplace. That must have altered the way that the Cabinet worked: the Foreign Secretary was no longer left to get on with his job.

Perhaps, too, there was a change in the nature of the composition of the Cabinet after Asquith's early years. Hailsham and Jenkins agree on this. Jenkins thinks that the first Asquith Cabinet was about the most glittering there ever was and draws attention to the non-political distinction of some of its members: Morely, Birrell and Haldane. Hailsham more or less concurs. The Cabinet, he states, used to be "a collection of individual parliamentary personalities, grouped together under a temporary chief and holding individual offices." It has not been like that for some time.

Hailsham thinks that the modern pattern had been set by 1924 when his father joined the Baldwin Cabinet as Attorney General. It had become:

"A closely knit collegiate institution, bound together by political party and principle, owning collective responsibility, disciplined, sometimes harshly, from below by the necessity of constant interdepartmental consultation, and from above by the increasingly dominant position of a Prime Minister wielding the prerogative of dissolution, armed with the power of instant dismissal, and even more so from outside by the constant presence and pressure of an organised opposition, competing constantly with the ruling party for popular and media approval and able to form an alternative administration in the wake of an adverse vote at a general election."

Those, he says, have remained the permanent characteristics. The one big change he notes is the shift towards government by Cabinet committee. He traces it, in particular, to the Suez Group that presided over the conflict with Egypt in 1956, though he admits that it may have begun earlier. Clearly it must have done: the war-time Cabinet seems to have been like that and it is hard to see how Cabinet government can be run other than by groups of committees.

Jenkins believes that there has been a qualitative decline. While acknowledging that it is notoriously difficult to judge one's contemporaries against figures from the past, he states: "I do not think that Whitelaw, Howe, Lawson, Baker, Parkinson and Hurd can be put in the same league as outstanding personalities on the Asquith, Baldwin or Attlee lists; nor can they match the Asquith list of men of distinction outside politics."

He admits that Mrs Thatcher is a more dominant Prime Minister than Asquith, Baldwin or Attlee, but seems to attribute that to the weakness of her team (and that of the opposition) rather than to her strength.

It seems to me that the machinery of government has changed remarkably little over the decades. Politics depends on a mixture of personalities, luck and the circumstances of the time. As Jenkins says of Attlee: "Compared with Asquith and Baldwin, he was the worst speaker, and by far the best Cabinet chairman."

It is not clear beyond doubt that the power of the Prime Minister is growing exponentially. The next Prime Minister may choose to be less interventionist in the way of seeking to dominate Cabinet committees. It is also open to Cabinet ministers to become more challenging.

Jenkins is selective in his examples. The former Mr James Callaghan ran the government machine well for a time without being overbearing. Mr Edward Heath had a not wholly unsuccessful shot at running a happy and collegiate Cabinet, while drawing on outside resources like the think tank.

Where Hailsham is right is in his understated lament for the decline of the collegiate approach. There is something to be said for allowing Cabinet ministers to have their say on subjects on which they are not expert.

Jenkins reminds us, incidentally, that Mrs Thatcher will become the longest continuously serving Prime Minister since Asquith on December 31 this year.

Tumultuous summit in prospect

ONE SUBJECT that the Government has taken control of since the general election in June is agriculture. The speech by Sir Geoffrey Howe, the Foreign Secretary, in Bonn this week, urging the West Germans to join in action to reduce European Community surpluses and eliminate unnecessary expenditure on food subsidies, must have been the strongest that he has ever delivered.

Nor is Sir Geoffrey alone. Chancellor Lawson regards it as almost the most important subject on his desk, bar the obvious one. Mr John MacGregor, the Agriculture Minister, used to be Chief Secretary at the Treasury, so one sees the beginnings of a concerted attack, backed by the Prime Minister.

It has been suggested that the meeting of the European Council in Copenhagen next month, originally planned to deal with the problems of Community financing, will inevitably be overshadowed by the international currency uncertainties. That is not the British view. The aim is to press ahead regardless. It is as yet far from sure that Mrs Thatcher will take the Community with her, though she will go to France in advance to seek support. The summit could be tumultuous.

Enter the gladiators

BEFORE THEN, however, the state visit of President Cossiga of Italy next week promises to be the biggest Roman entry into Britain since Julius Caesar. There will be Roman and Italian treasures galore on show, and not only in London. York and Edinburgh are also covered.

One particular pleasure will be the unveiling of a fountain designed by Emilio Greco in Carlos Place near the Italian Embassy. It is not often that London gets prettier, nor that state visits leave a lasting mark. This one should.

Lombard

A bond by any other name

By Anthony Harris

DELICATE TACT is not usually listed among the leading virtues of Mr Nigel Lawson but to judge by one passage in his Mansion House speech last week, this may be an injustice.

He was urging the US Federal Reserve to throw its weight behind any future support operations for the dollar, as it has so noticeably failed to do during the recent slide. "The United States," he added "should, if necessary, visibly equip itself with funds to do so."

This sounds like a purely technical suggestion but actually it is quite tough talk, especially if you read between these few lines. Americans dislike having to do business in anything other than dollars. Doing it visibly is an open admission that the market is now satiated with dollar claims, and does not trust them any more.

The trouble is not that the dollar is no longer trustworthy - even the most hairy-chested American knows that - but that President Carter was the last leader to admit it publicly. That has been until now a clinching argument with the present administration. Never again.

Dollar securities

Mr Lawson's words need not mean anything so embarrassing as a new sort of Carter bond - a Baker bond, perhaps. The Fed could raise some tens of billions of yen and D-Marks through a well-publicised central bank swap. This would mean that the Fed rather than the other central banks would carry the corresponding book loss on any further dollar devaluation and so it would be a good deal more than window-dressing.

This might so impress that markets that they would trust dollar securities again - especially if the US current account starts to improve convincingly - but it is a high-risk strategy. It is much easier to deter speculators from committing their funds than to persuade long term investors to commit theirs and, if they are not persuaded, the US deficit will still have to be financed mainly by the central banks. This, unhappily, is where we came in.

Intervention could work, as many official and academic studies have pointed out, if the governments concerned were prepared to let it work but this would mean allowing private investors to hold the currency of their choice, which would mean being relaxed about domestic money supply targets.

Clear alternative

That is the last thing any of those concerned are ready to do. The monetarist Germans - and even the agnostic British - sell bonds to mop up the currency they have supplied, while the Fed lends reserves to make up any dollar shortage; so we are back to square one, with a surplus of unwanted dollars and a shortage of strong currencies.

That leaves one clear alternative: the Baker bonds which Mr Lawson was too tactful to name although they are surely what he had in mind. Under a bond scheme the US would borrow unwanted dollars directly from their private holders and give them future claims in the currencies of their choice instead of working through a chain of central banks.

Of course, the monetary results of this approach are just the same as those of sterilised intervention. Dollars remain in circulation and those who want strong currencies are left holding bonds.

The psychological effects are quite different, because there is no need for central banks to intervene to achieve recycling. It is this visible support which excites speculation. It incidentally means that the US could borrow at hard currency interest rates.

If the Americans really believe that the dollar has reached a sustainable level, market borrowing is the logical thing. It would provide stability and help reduce US Treasury spending at no cost except in pride. Do they believe it and can they swallow their pride? No-one is likely to bet on that.

Letters to the Editor

Conflicts for directors

From Mr Edgar Palamountain

Sir, Mr Austen Hamilton's letter (November 10) deserves both general support and a little further comment.

The role of independent directors would indeed be clarified and their position greatly strengthened by their incorporation into a supervisory board, and the best European models of this would certainly be calculated to afford better protection of shareholders' interests than they currently enjoy either here or in the United States.

Where I differ slightly from Mr Hamilton is in his acceptance of the notion that executive directors are entitled to pursue policies not conceived in the shareholders' interest. In law all directors are equally responsible to the company, and the plain and primary duty of them all is to manage the company for the benefit of its owners. The conflicts of interest which tend to arise in practice stem from the fact that the personal concerns of executive directors are with salaries and perks, whereas the shareholders are naturally interested in earnings and dividends. These conflicts are particularly apparent in the circumstances of a takeover bid. Independent directors stand outside them, but if they stood above them it would be better still.

E. Palamountain,
Wider Share Ownership Council,
Juxon House,
94 St Paul's Churchyard, EC4

Protecting personal data

From Mr T. S. Bahchell

Sir, Mr Richard Evans' piece on the Data Protection Registrar (November 9) must be of vital interest to all commercial organisations. However, what is of particular interest to those companies who trade in personal data, ie mailing list brokers, such as this company, is the fact that the Data Protection Act and its interpretation by Mr Eric Howe, have managed to clarify at a stroke, a grey area in trading in personal data (as applicable to mailing lists).

Until the application of the Act, whether a mailing list was subject to copyright laws or not was something never determined. Extensive use of mailing lists, and trading in them, is such recent marketing practice in the UK that there is no case law to rely upon. Therefore until now, traders have been at a loss as to how to react to "misuse" of mailing lists - which legislation to apply when seeking redress. The fact that personal data, which forms part of mailing lists, have to be registered with the Registrar under the provisions of the current legislation, will mean that such data, and by connection mailing lists, become tangible goods and/or assets of their owners. As such, misuse can be regarded under the common law of ownership.

The ability to control and protect data and/or mailing lists in this manner without getting involved in a myriad of copyright laws would be welcomed by industry. Any data compiled and kept by a company, whether related to a list of clients or not, are valuable assets and any measure helping to protect them ought to be encouraged.

T. S. Bahchell,
Dudley Jenkins Associates Ltd,
77 St John Street, EC1

Architects' PI insurance

From Mr Neil Pepperell

Sir, The excellence of your law reports has recently identified a point of detail in the case of *Thorman and Other v New Hampshire Insurance Co (UK) Ltd and Others*, which may confuse the very important issue of professional indemnity insurance for architects.

The RIBA firmly recommends that its members are insured. However, the only PI policy wording approved by the RIBA Council is that currently available from the RIBA Insurance Agency.

There is a public misunderstanding over professional indemnity insurance. It is often wrongly assumed that all policy wordings and indemnity levels are to a common standard. This is incorrect and architects and clients alike need to be very clear on this point if both are to be properly protected.

N. T. Pepperell,
RIBA Indemnity Research Ltd,
66 Portland Place, W1

Privatising electricity

From Mr Alex Henney

Sir, I write with reference to your report of the speech by Mr John Baker, managing director of the Central Electricity Generating Board (November 2), in which he criticised demands for the CEGB to be split up on privatisation.

There is no relevance to the CEGB's circumstances in his claim that in other countries "electricity producers are tending to arrange themselves in larger not smaller groupings", and "collaborate rather than compete".

In the US, the largest electricity generating organisation is only just over half the size of the CEGB, the mergers that are taking place are nearly always among tiny companies and municipals, and a significant trend to competition and fragmentation of the industry at the generating level is emerging. I suggest Mr Baker visits Texas, California, Massachusetts and Virginia, with a stop-off in Washington to the Federal Energy Regulatory Commission hearings on deregulation and competition.

The CEGB and Area Boards have had three decades of success in suppressing competition, including recently undermining the 1983 Energy Act by discriminatory pricing. As Sir John Hicks once observed "the main monopoly profit is a quiet life for the management." Surely we do not want to add to our undistinguished stable of national monopolies.

A. Henney,
38 Swains Lane, N7

How to raise taxes

From Mr W. E. Weisflog

Sir, Mr Mickelborough (November 7) points out that not only the rates but also the inheritance tax is linked to property values. Unfortunately he overlooks at least three facts: firstly, unlike the rates, the inheritance tax is not a specific tax on houses, but a tax on the gratuitous transfer by a donor of wealth in general, whatever its composition; secondly, whereas mortgage interest tax relief is a so-called "tax expenditure" or "tax break" for the (living) owner-occupiers, inheritance tax hits the heirs of the donor's wealth (which may not comprise any house property at all); thirdly, unlike the rates, inheritance tax does not fill the coffers of the local authorities within whose boundaries the houses stand, but flows into the national Exchequer.

The thesis that tax liability should be at least proportional to income has been developed by the economists over the past two centuries and can be traced back to one of the four maxims which Adam Smith formulated in The Wealth of Nations: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the state."

I believe levying taxes based on the "ability to pay" is still today one of the fundamental tenets of successive Chancellors of the Exchequer. Charging equal prices for a loaf of bread, a Mars Bar or a packet of Corn Flakes to all customers in a supermarket makes economic sense in commercial terms - the competition sees to that - but equal taxation of everyone, ie taking no account of someone's income, does not make sense in fiscal terms. You cannot apply "Mars Bar" economics to public finance. The simple explanation is that you would not get sufficient tax revenue. You cannot get taxes out of the poor - unless you subsidise them in the first instance, as will have to be done in the case of the Community Charge or poll tax - but only out of those who are able to pay, ie have either an income or wealth, and the latter includes houses.

Finally, funding the various responsibilities listed by Mr Mickelborough by the country as a whole, out of the national Exchequer, is all very well, but "he who pays the piper calls the tune," and thus this system would ultimately lead to the death of local democracy as we know it - giving more and more power to central Government, including, of course, correspondingly increased taxing powers. The local authorities would be relegated to street lighting engineers and refuse collectors - at least until such time as these functions were privatised as well.

W. E. Weisflog,
22 Roedean Crescent,
Brighton

Axing sleepers

From Mr Alan Beith MP

Sir, You report that British Rail claims to be "improving" its night sleeper trains and encouraging more people to use them (November 10).

The truth is that BR is axing some of its main sleeper service, leaving Newcastle and the Borders without any overnight service to and from London. The respected journal, Modern Railways, described it as "at best a public relations disaster, at worst a symptom of the disintegration of the national, or natural, rail network." BR management now seem surprised at the uproar with which their proposal has been greeted.

Alan Beith MP,
House of Commons, SW1

Channel Tunnel travel perks

From Dr Harold W. D. Hughes

Sir, As Lex points out, much of the attraction of the Channel Tunnel Share Launch to private investors will lie in the carefully designed travel perks. These obviously cannot materialise until the Tunnel is opened in 1993 which is quite a long time off. Will the taxman now confirm, before the closing date of the launch, that he will not tax these perks as income, and that he will never contemplate doing so?

H. W. D. Hughes,
16 Wingfield Road,
Kingston-upon-Thames, Surrey

FINANCIAL TIMES

Friday November 13 1987

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David Owen in Toronto on political choices facing Brian Mulroney

Canada senses election fever

THE WALKING wounded of the Canadian House of Commons began their 10-day autumn break a few hours early last week, with a rampant influenza bug - rumoured to have been brought back from Vancouver by members of the Canadian delegation to the Commonwealth conference - fast assuming epidemic proportions.

The decision was greeted with a sigh of relief all round. Tempers, as well as health, had been severely compromised in recent weeks as a tumultuous session, which began a month early on August 11, drew towards its hectic conclusion.

Among the sniffles and endemic bad language which have characterised an increasingly wintry Ottawa of late, it has been possible to detect a growing groundswell of opinion that the Mulroney Government - though languishing in third place in the polls and with nearly two years of its allotted term to run - may opt to go to the country sooner rather than later.

Prime Minister Mulroney: under pressure

Several factors have contributed to this view. First and foremost, the Prime Minister is under increasing pressure from opposition parties to call an election as a form of referendum on the bilateral trade agreement struck with the US last month.

"This is such a major shift from the way in which we have organised our relations with the US in the past that it is just not right to have it put through by a government which didn't even talk about these things in the last campaign and which, in so far as you could take where they stood from what they had said before, had spoken against it," said Mr Steven Langdon, trade and industry critic for the left-of-centre New Democratic Party.

In fact, some observers feel Mr Mulroney may not be averse in his own time to calling the opposition parties' bluff, relying on a split in the anti-trade-deal vote to further his own cause.

One possible deterrent is that support for free trade (some 49 per cent) is much higher than support for the Conservatives (about 24 per cent of decided voters). Part of the reason for this may be that supporters of free trade in the abstract are not necessarily enamoured of some of the specifics of the current deal.

Significantly, while both the Liberals and the NDP have come out firmly against the existing pact, neither rejects the concept of free trade out of hand. Mr Mulroney's well-documented personal credibility problem is a further underlying factor.

Second, while the government's economic record in terms of growth, job creation and deficit and unemployment reduction is generally sound, a sharp downturn is being increasingly forecast for next year - particularly in the light of the recent stock market crash.

Bank of Montreal last week released a set of particularly gloomy projections, including a real GDP growth of just 0.6 per cent for 1988. The bank also predicted that unemployment in Canada would rise from 8.6 per cent recently to 9.5 per cent by the end of next year.

While not everyone goes that far, it is generally accepted that future quarters are likely to bring a slowdown in Canadian economic growth. If nothing occurs in the near future to improve this outlook, Mr Mulroney may be tempted to call an election before the statistics are translated into lay-offs and smaller profits.

Third, the Government's pending tax reform package has been structured to give most voters the jam (in the form of income tax reductions tempered by a broadening of the tax base) sooner and the medicine (an already postponed across-the-board sales tax) later. The Finance Ministry is still hoping to see the first stage of reform implemented in the 1988 tax year.

Finally, if an election were delayed beyond mid-July 1988, Mr Mulroney would have to contend with the muddied water of new constituency boundaries. Although some feel that the net effect of the overhaul, which will increase the number of House of Commons seats to 295 from 282, would be to the benefit of the Tories, the remap is sufficiently extensive to dilute the power of incumbency in many ridings, the majority of which are held by Conservative MPs.

In short, speculation is growing that if the Progressive Conservatives could just reach a plateau of some 30 per cent in the polls, the temptation to go could prove overwhelming.

For the moment, senior party spokesmen are playing down such talk. "The Prime Minister's thinking on this is entirely his own," according to one. "The likelihood of an election before next late spring is very small. We have got too much else in front of us to be in battle formation right now."

Nevertheless, the consensus is that a potential window of opportunity may exist for Mr Mulroney between spring and autumn 1988. But with each of the three major parties able to construct a fairly plausible victory scenario, no serious forecaster is prepared to predict what might be the result.

UK miners leader resigns in tactical bid for support

By Charles Leadbeater in London

MR ARTHUR SCARGILL, the controversial left wing president of the UK's National Union of Mineworkers (NUM) and a dedicated opponent of Britain's Conservative Government, yesterday resigned in order to seek re-election.

The surprise announcement of Mr Scargill's decision will bring into the open a simmering power struggle within the union between Mr Scargill and a loose alliance of right wing and soft left leaders who have grown increasingly disillusioned with his leadership.

The ballot will widely be seen as a referendum on the future direction of the NUM which was left defeated and seriously divided after a year-long national coal strike in 1984-85.

The strike was a major test of strength between Mr Scargill, a powerful orator who provokes fierce loyalty and hatreds, and Mrs Margaret Thatcher, Britain's Prime Minister.

Mr Scargill, who was elected the NUM's president for life in 1981, told the NUM executive committee that he was voluntarily honouring a pledge to seek re-election after five years in office.

The NUM said the ballot of the entire membership would be held on January 22, with nominations from possible challengers due by December 14.

The resignation, in the midst of a fresh dispute with the state-owned National Coal Board (NCB) which has resulted in a pit overtime working ban since September, took the industry by surprise.

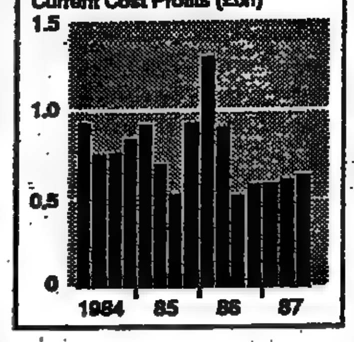
A defeat for Mr Scargill would be welcomed by moderates within the NUM, British Coal, which has been frustrated by his uncompromising approach to negotiations, the Government, the Labour Party leadership, as well as many moderate and centre-left figures within the union movement.

THE LEX COLUMN

Refining the benchmarks

The London market seems to have chosen a good time to bounce back. The September US trade figures, though horrible enough, were better than almost anyone expected, and had a tonic effect on the already recovering dollar. A decision on the budget deficit looked imminent yesterday, in which case there may well be calls for a G7 meeting over the weekend. A few weeks of stability in the dollar and Wall Street would at least give the London market the chance to reflect rationally on where it wants to go next.

Royal Dutch Shell
Current Cost Profits (£bn)



Shell/BP

BP's surprisingly strong share price performance during the first ten months of this year had a lot to do with the marketing campaign ahead of the world's biggest share flop. Similarly, its performance over the next few months will be dragged down by the 1bn shares, or 18 per cent of its equity, which are now overhanging the market. Short-term trading tactics, rather than any fundamental analysis of the company's basic strengths and weaknesses in an increasingly hostile world economic climate, will hold the key to whether investors make money in BP shares over the next few months.

That said, yesterday's third quarter figures from Shell and BP served to underscore the stock market's prejudices about the world's second and third biggest oil companies. BP reported an 8 per cent decline in replacement cost profits whilst Shell reported a 17 per cent increase in its current cost earnings. The profitability of Shell's downstream operations held up much better than the competition, whilst BP's European refining operations moved from a current cost profit of £107m to a £22m loss. Shell's oil product volume was 10 per cent higher in the latest quarter whilst BP's refined product sales fell 6.8 per cent. BP may be very good at finding giant oil fields, but Shell is much better at marketing oil profitably around the world. In an era of oil surpluses this is what counts.

The difference in stock market perceptions of the two companies has tended to mean that BP shares have traded on a higher yield than Shell shares for much of the 1980s. In the run-up to the BP share issue the yield gap almost disappeared, and even after the shakeout in the stock market Shell is only yielding a half point less than BP. However, it is the comparison with its arch rival Exxon, yielding almost two percentage points less than Shell, which could be the more compelling long-term attraction.

Wellcome

While the release of any company's profit figures has been pretty meaningless for share prices of late, Wellcome's results have had little relevance to its shares since the emergence of its Aids treatment, Retrovir. In fact yesterday's annual figures, showing pre-tax profits at £169.1m up 35 per cent, demonstrated a strong performance from Wellcome's other activities, since Retrovir contributed only £16m to sales and nothing to profits. The anti-herpes drug Zovirax has become a major earner, and clearly still has great potential. The turn-round at Coopers has been faster than expected, as has Wellcome's ability to cut the US tax charge.

Yet it is the prospects for Retrovir - Wellcome would not speculate yesterday on this year's sales - which make it hard to predict current year profits, let alone those five years out. After yesterday's rise of 42p to 346p, its shares are on a prospective multiple of somewhere over 20, roughly twice the sector average. Should Retrovir continue to be the sole treatment for Aids, and if its side effects can be reduced allowing approval for use in less advanced cases, then Wellcome can expect huge sales of the drug. There are plenty of gruesome statistics on the numbers of actual and potential sufferers and little sign of competition.

Wellcome may, however, come under pressure later to cut the price of the drug, though it can argue that further research needs to be financed and that margins are likely to be rather lower than on other top selling drugs. Even so its profits should rise rapidly, and performance-driven fund managers may be foolish to stay out of the shares - especially as there are so few freely available. The downside risk of a sudden return to a sector average multiple is large, but not overwhelming.

BOC

Stocks with significant US dependence were, along with acquisitive conglomerates, amongst the most harshly treated on the way down, and are now leading the bounce. A timely moment, then, for BOC to be reminding a less panicky market of its defensive qualities on the back of some solid figures. Having fallen nearly 20 per cent further than the crashing market, it has now clawed back half that underperformance - and ought to have some way further to go, at least in relation to the market.

But while BOC may, like ICI, have been the victim of the high liquidity of its shares and US recession over-reaction, the fears were not wholly irrational. The company does, after all, still pump a lot of oxygen into US smokestack industries. Against that, BOC was quick to point out that its US economy forecasts for 1988 had already been low-key, while the shift into nitrogen (and healthcare) and the extent of its fixed revenues, create some insulation from the effects of downturn. Having sold dollars forward in large quantities (up to $150m) the company should also have little to worry about on dollar translation for the current year, and will continue to benefit from having most of its debt in dollars. It is, however, less comfortable in Australian dollars and Rand.

Disappointment in US healthcare should be overcome this year and the bigger worry is the increasingly severe price competition in US gases. It would also have been comforting to have a final decision on the sale of the US carbon graphite business, but at least the acquirers should find it difficult to knock the price down, given its export profile, assuming the authorities wave it through. The cash from the sale could now be put to even better use in expanding the healthcare business.

Co-ordination call for securities markets

BY ALEXANDER NICOLL, EUROMARKETS EDITOR

THE BRITISH Government suggested yesterday that international co-ordination of supervision of securities markets could be stepped up through an expansion of a series of informal gatherings which began in the UK last year.

Since the global stock market crash, there have been many calls for closer contacts between securities regulators, both to prevent abuses and to guard against damaging chain reactions of shocks to the international financial system.

Mr Francis Maude, Minister for Corporate and Consumer Affairs, told a Financial Times conference in London that the Wilton Park group, so named after a meeting of regulators from 10 countries held in Sussex last December, would gather for the third time in February or March next year.

He said it would need to consider whether to continue to focus only on enforcement issues, or to extend its scope so that it became the equivalent for the securities markets of the Cooke Committee, which co-ordinates banking supervision under the aegis of the Basle-based Bank for International Settlements.

The Cooke Committee had begun in 1975 by formulating broad supervisory guidelines, but had since addressed a range of issues, including the stability and propriety of markets.

"We would welcome development of the Wilton Park group in a similar direction if the other regulators participating in it also decide that it would be useful," Mr Maude said.

Governments have already taken steps towards greater co-ordination over the past year. Mr Maude said Britain planned to negotiate bilateral agreements with several more countries, following understandings reached with the US and Japan. These provide for information bridges to help detect abuses such as insider trading.

In the longer run, the Government hoped these agreements could be consolidated into a multilateral accord.

Mr Maude, stressing the flexibility of the Government's approach to regulation in its application of the Financial Services Act, announced an easing in disclosure requirements for overseas stock exchanges which need recognition from the UK Government because their members do business in London.

The Government would instead rely on the bilateral agreements to provide information from the foreign exchanges when necessary.

Separately, Securities and Investments Board officials said yesterday that capital adequacy requirements for securities firms being introduced under the Act would be reviewed because they had not taken into account the recent volatility of stock markets.

Lower requirements for hedged positions would be reassessed because events had shown the protection provided by hedging to be inadequate.

Eurotunnel's top team strengthened

BY ANDREW TAYLOR IN LONDON

MR JOSEPH ANDERSON, a senior vice-president of Bechtel, the US construction group, has been seconded to Eurotunnel to take charge of the team managing the construction contract for the £4.7bn ($8.37bn) Channel tunnel project.

Mr Anderson will become a deputy managing director and report directly to Mr Pierre Durand-Rival, Eurotunnel's French managing director.

He was programme manager in charge of construction of Jubail Industrial City, Saudia Arabia. The $30bn project involved the construction of a new city for 350,000 people and 16 primary industries.

The number of Bechtel executives seconded to Eurotunnel is to increase as part of moves to reorganise and strengthen the management team which will oversee the performance of the five British and five French construction groups which have won the contract to build the project.

Staff from British and French engineering consultants W.S. Atkins, Sir William Halcrow, Societe d'Etudes Techniques et Economiques and Tractionel Electrobel are also being seconded and integrated into the reorganised construction management team.

One of the criticisms made by opponents of the project is that the British and French construction companies awarded the contract are also founder shareholders.

The fear is that there will be insufficient control over the contractors and that they may not operate in the best interest of all shareholders.

The upgraded role for Bechtel executives, who are expected to provide between 15 and 20 per cent of the management overseeing the construction contract, is designed to assist Eurotunnel maintain a tight grip on the construction of the project and ensure that it is completed in time and within budget.

Bechtel, the world's third largest contractor - only Bouygues of France and Shimizu of Japan won more orders last year - established its reputation as project manager of some of the largest international construction contracts undertaken during the last 20 years.

Mr Alastair Morton, British joint chairman of Eurotunnel, said the management reorganisation was designed to make best use of the skills of W.S. Atkins, Societe d'Etudes Techniques et Economiques and their sub-consultants by complementing them with Bechtel's project control experience.

W.S. Atkins and Societe d'Etude Techniques et Economiques will maintain a separate monitoring role for the British and French Governments and international banks which have agreed to provide the project with up to £5bn ($8.9bn) in loans and standby credits.

Under this agreement the consultants will be expected to verify that construction is being carried out to budget and to the quality and safety standards required by the contract with Eurotunnel.

Eurotunnel abandons Canadian share issue, Page 33

Dining out on Van Gogh

Continued from Page 1

tunes. It was the best, and quickest, $4.9m that Mr Marion has ever earned. It was a close run thing. There were no potential buyers actually in the room, unless they were phoning discreetly from an upstairs box. Just three telephones bore the brunt of the bidding, and after the $30m mark there were only two contestants.

The numbers of the mega-rich seem to have shrunk since March when Christie's sold Van Gogh's Sunflowers in London for £24.75m ($44m) and there were still six contenders at roughly the same price level.

The bidding in New York had opened slowly; speeded up between $35m and $45m, and then slowed to an agonising crawl. The obvious barrier was $50m. One bid was raised to $49m; the other phone paused, and then the hammer came down, with the successful new owner having to find an additional $4.9m to pay Sotheby's for its trouble.

After the sale there was no clue to the identity of the new owner. Mr David Nash, who had smoothly talked him through the bidding, would only say "a European agent acting for an overseas client."

The betting was on Japan - it was a Japanese insurance company, Yasuda, which had acquired Sunflowers; the Japanese had been busy at Christie's big Impressionist sale in New York on Tuesday; and they were visible among the throng at Sotheby's.

Mr Payson quickly divided up his fortune. Very little of his $53.9m will go to Sotheby's which waived most, if not all, the 10 per cent it usually extracts from sellers to secure the commission of such a valuable work. Westbrook College in Maine will get more than $6m and various charities in that state, mostly nautical ones, will receive about the same. The rest disappears into a family trust, with some left over to indulge Mr Payson's ambition to become a picture dealer. The next time he visits Sotheby's it will be as a buyer.

After the Irises this production flagged. The show dragged on for almost two more hours. A record $5.83m was achieved for a Monet - Le Jardin - which pleased Sotheby's greatly because Christie's had set the previous record just 24 hours earlier.

There was also a record for a Salvador Dali, with $2.42m being paid for a giant garish canvas of the Battle of Tetuan.

In all the sale totalled a record $110m, with a low-seeming 13 per cent unsold. Without Irises, however, the unsold percentage doubles and the total falls closer to Sotheby's pre-sale low forecast rather than its best hopes.

Wednesday night proved that great paintings, especially when they are cleverly marketed, can make unbelievable prices. But it also proved that the art market, while not knocked out by the paper impoverishment of many of its best clients, is looking slightly groggy.

Congress resists over budget

Continued from Page 1

get pact came shortly after the Commerce Department announced slightly better than expected trade figures for September. The US trade deficit fell from $15.7bn in August to $14.1bn in September, due primarily to a sharp decline in the value of oil imports and continued moderate growth of exports.

President Ronald Reagan, whose approval is essential for tax increases in any package, was briefed on the progress in the budget talks yesterday by the White House negotiating team, Mr James Baker, the Treasury Secretary, Mr Howard Baker, the White House Chief of Staff and Mr Jim Miller, the Budget Director.

Mr Fitzwater said the goal of the budget reduction talks was to avoid $23bn of automatic spending cuts which would come into effect on November 20 under the separate Gramm-Rudman budget process. He said the aim was to get a package of at least this size for 1988, including savings leading into subsequent fiscal years.

Financial markets rallied after the trade figures were announced and were further buoyed by the White House statement on hopes of a budget package. The markets had been expecting a trade deficit for September of between $14.5bn and $15bn.

Exports of manufactured goods in September were $1.1bn higher than the $13.7bn in August and the January to August average which was also $13.7bn. There was also a modest $0.3bn decline in imports of manufactured goods.

World stock markets gain strength

Continued from Page 1

rency markets still remain nervous on the outlook for the dollar. In the near-term it will focus on the outcome of negotiations between the White House and the Congress to cut the US budget deficit, a resolution of which is expected soon.

The Bank of England, in its first public analysis of the effects of the recent turmoil in financial markets, said in its Quarterly Bulletin yesterday that growth in the seven major industrial countries could be cut from 2.6 per cent expected this year to 2.2 per cent in 1988.

But the Bank agreed with the Treasury's forecast that output in the UK would rise by about 2½ per cent next year. It also signalled that it was happy with the level of interest rates currently prevailing in the UK.

Although the US trade figures did cheer Wall Street it treated the numbers with care. Exports rose strongly but the decline in imports was almost entirely due to a fall in the volume and price of oil imports.

On Wall Street the relative strength of the dollar over the past few days has helped soften some foreign exchange dealers' bearish attitude towards the currency. But most remain acutely conscious of its fragility and potential to slide again.

In New York the dollar closed at DM1.6880, Y135.85, FFr5.7225 and SFr1.388750. In London it closed higher at DM1.6980 against DM1.6760 on Wednesday, and at Y136.40 (Y135.25).

Sterling closed in New York at $1.7665. In London it closed down against the dollar at $1.7575 compared to $1.7790 on Wednesday, but remained steady against the D-Mark closing at DM2.9850 (DM2.9825). The Bank of England's trade-weighted sterling index was 0.1 points lower at 75.2 points.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	21	[illegible]	Dubrovnik	S	19	66	Malta	F	21	70	Rhodes	F	18	64
Algiers	S	22	[illegible]	Edinburgh	F	7	45	Manchester	S	7	45	Rio de J'o			
Amsterdam	S	10	[illegible]	Faro	S	17	63	Manila				Rome	S	19	66
Athens	C	17	[illegible]	Florence	C	15	59	Melbourne	S	17	63	Salzburg	C	10	50
Bahrain	S	27	[illegible]	Frankfurt	R	9	48	Mexico City				San Francisco	S	12	54
Bangkok	Rn	31	[illegible]	Funchal	C	19	66	Miami	S	13	55	Seoul	F	17	63
Barcelona	F	20	[illegible]	Geneva	C	11	52	Milan	C	11	52	Singapore	F	31	88
Beirut	Fr	20	[illegible]	Gibraltar	S	21	70	Montreal	S	-7	19	Stockholm	R	4	39
Belfast	R	7	[illegible]	Glasgow	R	6	43	Moscow	C	0	32	Strasbourg	C	8	46
Belgrade	C	7	[illegible]	Guernsey	F	10	50	Munich	F	8	46	Sydney	F	18	64
Berlin	R	10	[illegible]	Helsinki	C	2	36	Nairobi	C	21	70	Taipei			
Biarritz	C	14	[illegible]	H. Kong	C	26	79	Naples	S	18	64	Tangier	S	18	64
Bombay	F	33	91	Innsbruck	F	9	48	Nassau				Tel Aviv	S	24	75
Bordeaux	C	13	[illegible]	Inverness	F	7	45	New Delhi	S	28	82	Tenerife	S	23	73
Brussels	F	18	[illegible]	Islamabad				New York	S	1	34	Tokyo	C	21	70
Budapest	C	6	[illegible]	Istanbul	F	16	61	Nice	F	16	61	Toronto	C	1	34
B. Aires	S	25	77	Jakarta				Nicosia				Tunis	F	22	72
Cairo	S	24	75	Jersey	R	9	48	Oporto	C	15	59	Valencia	S	20	68
Cape Town	C	26	79	Jo'burg	C	16	61	Oslo	R	2	36	Venice	S	12	54
Caracas	C	28	[illegible]	Lima				Paris	F	11	52	Vienna	F	8	46
Casablanca	S	19	[illegible]	Lisbon	F	17	63	Peking	S	13	55	Warsaw	F	8	46
Chicago	S	0	[illegible]	London	F	9	48	Prague	F	8	46	Washington	S	1	34
Cologne	R	9	[illegible]	Los Angeles	S	15	59	Reykjavik	F	2	36	Zurich	C	10	50
Copenhagen	R	8	[illegible]	Luxembourg	R	[illegible]	46								
Corfu	F	19	[illegible]	Madrid	S	13	55								
Dallas	S	-1	[illegible]	Majorca	S	21	70								
Dublin	R	7	[illegible]	Malaga	S	21	70								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

SECTION II – COMPANIES AND MARKETS
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US GROUP ANNOUNCES FURTHER STOCK REPURCHASE

Ford to buy back $2bn shares

BY ANATOLE KALETSKY IN NEW YORK

FORD, the second-largest US motor manufacturer, yesterday said it would buy back a further $2bn worth of its own shares, bringing to $4.5bn the total stock repurchases authorised during the period of record profitability Ford is enjoying.

At current market prices, the $2bn stock buyback could withdraw 27m Ford shares from the market, reducing the company's equity by 11 per cent.

Ford has already repurchased 43m shares, accounting for around 14 per cent of its equity in the last three years, for just under $2.5bn.

Since October 19's stock market crash about 600 companies have launched plans to buy back shares, valued at $34bn, according to an analysis by Merrill Lynch.

But the Ford move is probably the most significant, not only because of its size, which dwarfs most other companies' post-crash initiatives, but also because of the likelihood that Ford will actually put its plan into practice.

Wall Street analysts say many of the companies which have announced big stock buybacks in the last few weeks are believed to have bought relatively few shares in the market so far.

After the crash, buybacks became more or less de rigeur for corporate managements as tangible expressions of confidence in the prospects for their own companies and the US economy.

However, boards which announce buyback plans are generally under no obligation to complete them, or even to begin to implement them, within a particular period.

Ford, however, seems more likely than most companies to bid aggressively for its own shares in the stockmarket. It has grown increasingly flush with cash because of the record profits it has been earning in the last two years, as well as its relatively conservative approach to new investment.

At the end of the third quarter, Ford's cash holdings came to $9.1bn.

Wall Street analysts, who generally believe Ford's cash hoard could grow to around $11bn by the year end, have been speculating for months about the likely uses of this liquidity.

The only takeover target firmly identified so far has been Financial Corporation of America, the biggest savings and loan institution in the country, which is operating under Federal government control following its near-bankruptcy two years ago.

Ford's consumer banking subsidiary, First Nationwide Bank, has submitted an offer to buy FCA. Terms were not disclosed.

Ford's approach to investment within the motor industry has been cautious. While it has spent more each year on upgrading its manufacturing facilities, Ford has not followed its bigger rival, General Motors, in building brand-new plants, arguing that the US motor industry is already threatened by serious overcapacity.

Ford has also turned down several opportunities to invest in the aerospace business, backing away from the purchase of Hughes Aircraft, when it was outbid by General Motors.

This caution has left large-scale distributions to shareholders as the main alternative use for its surplus cash.

In addition to its previous $2.5bn buyback programme, which was launched in November 1984 and is now nearly completed, Ford last month increased its quarterly dividend by 33 per cent to $1, raising its annual dividend cost to about $1bn.

Disney surges 67% in quarter

By James Buchan in New York

WALT DISNEY, the US entertainment and leisure group, maintained its powerful momentum in the three months to September with a 67 per cent increase in net income on a 21 per cent advance in sales revenues.

The Burbank, California group, which has enjoyed rapid growth since new management took over in 1984, said earnings were $135.3m, or 98 cents a share, on revenues of $758.6m in the company's fourth quarter to September.

In the full year, net income rose by 80 per cent, to $444.7m, or $3.23 a share, on a 33 per cent rise in revenues to $2.17bn.

Excluding the results of Arvida, the company's property development business, which was sold in the fourth quarter, earnings were up by 84 per cent for the year – to $392.3m or $2.85 a share – and 81 per cent for the quarter, to $110.6m, or 80 cents a share.

Mr Michael Eisner, chairman, and Mr Frank Wells, president, the two executives who joined the company in 1984, said all three divisions contributed to the record performance.

In theme parks and resorts, revenues were up 16 per cent in the quarter and 20 per cent for the year because of increased attendance and higher spending by visitors. Operating income was ahead by 22 per cent for the quarter and by 36 per cent for the year.

The group's filmed entertainment division enjoyed a 34 per cent increase in revenues for the quarter, with a 71 per cent improvement for the year.

The results were helped by the summer release of the film Stakeout and by growth at the Disney television channel.

Operating income was up by 303 per cent in the quarter and 153 per cent in the year.

Honeywell Bull cuts US workforce by 14% in efficiency bid

BY OUR NEW YORK STAFF

HONEYWELL BULL, the multinational information systems joint venture, is cutting 1,600 jobs or about 14 per cent of its US workforce in an attempt to improve manufacturing efficiency.

The computer group, which was formed in March 1987 when Honeywell spun off its information systems division into a new joint venture controlled by Groupe Bull of France, said that the cut back in jobs would come partly through the closure of a manufacturing plant in Phoenix, Arizona, and the consolidation of manufacturing elsewhere.

The group employs 11,500 people in the US and 20,500 worldwide.

Honeywell Bull, which is based in Minneapolis and includes NEC of Japan among its owners, has been struggling to protect its domestic market share after years of losses of business to IBM and Digital Equipment.

"We always said we wanted to get closer to our customers and improve manufacturing efficiency," the company said.

Honeywell Bull reported sales revenues of $508.2m and net income of $1.8m in its first three months of operations as a joint venture. Revenues for the company under Honeywell's sole ownership in the first quarter of the year were $424m.

In the third to September, the company enjoyed revenue growth of about 10 per cent and remained profitable, Honeywell Bull said.

Fiat to regroup heavy equipment

By Alan Friedman in Milan

FIAT, the Turin-based car maker and conglomerate, has announced plans to regroup several of its earth-moving equipment and agricultural machinery subsidiaries in a new holding company to be called Fiatgeotech.

The new holding, to be launched in January 1988, will incorporate Fiatagri, which includes the group's tractor and other divisions; Fiatallis, the earth-moving equipment maker; and the group's Fiat-Hitachi venture, also in the earth-moving equipment sector.

Fiatgeotech is expected to have total 1988 sales of L2,800 bn ($2.3bn) and plans to invest L310bn in the next three years. The new holding company will include 10 factories, five of which will be located in Italy.

It will employ a total of 14,000 people, of which 9,200 will be based in Italy.

Mr Giancarlo Vezzalini, Fiatagri president, said yesterday the aim of the regrouping was to reduce management costs and achieve greater competitivity.

He added that this year was proving to be a difficult year for the tractor and earth-moving equipment business

Yamaha rises 21% to Y12bn

By Our Financial Staff

YAMAHA, the Japanese musical instrument maker which was known until last month as Nippon Gakki, boosted pre-tax profits by 21.5 per cent in the six months to September to reach Y12.04bn ($89.1m) although sales edged up just 1.5 per cent to Y203.9bn.

The company said it was increasing export sales of portable keyboards, electronic keyboards and synthesizers to the US and Europe. Sales of acoustic pianos, electronic organs and electronic keyboards in Japan also rose.

A steady interim dividend of Y5 is being paid, from net earnings per share of Y21.98 against Y22.10. The decline reflects an expansion in the number of shares in issue to 191m units from 186.1m.

For the whole year to next March it forecast taxable profits at Y14bn,

Pharmacia earnings show small advance

BY SARAH WEBB IN STOCKHOLM

PHARMACIA, the Swedish biotechnology and pharmaceuticals group, has reported a 3 per cent increase in profits (after financial items) to SKr639.3m ($105.6m).

Group profits were hit by the cost of recent acquisitions which led to lower interest income, as well as by adverse currency fluctuations.

Full-year profits after financial items are forecast to reach SKr900m, against profits of SKr621m last year.

Group sales rose 64 per cent to SKr4.328bn, compared with SKr2.643bn last year, thanks to acquisitions. These included Leo, the Swedish pharmaceutical group, and Intraocular, a US optical lens company.

Taking comparable units, the increase amounted to 5 per cent.

Pharmacia said the integration of these acquisitions had had a restraining effect on sales.

Sales of the biotechnolgy division rose 69 per cent to SKr1.149bn, while pharmaceuticals sales rose 99 per cent to SKr1.509bn.

The ophthalmics division showed a strong increase in sales of Healon in Western Europe and maintained its market share in the US. Growth in the Japanese market is developing strongly and sales for the ophthalmics division rose 42 per cent to SKr709bn.

The diagnostics division showed a 44 per cent increase in sales at SKr775.2m.

Guillevin pays C$64m for Steetley unit

By Robert Gibbens in Montreal

GUILLEVIN International has become the third-largest electrical equipment wholesaler in Canada, with its acquisition of a similar distribution business in Canada from Steetley, of Rugby, England, for C$64m (US$48.6m).

Steetley will retain its building materials business in Canada. It diversified into wholesale distribution of electrical and industrial equipment in the mid-1970s and a year ago decided to divest.

Guillevin's bid succeeded in competition with US, French and UK companies. The Guillevin purchase is being satisfied in C$50m cash and assumption of C$14m of trade payables. The merged company will have annual sales of well over C$350m.

Eastern Air Lines tries to cut costs

BY RODERICK ORAM IN NEW YORK

EASTERN AIR LINES, one of the two main operating subsidiaries of Texas Air, will cut its workforce by 9 per cent and reduce other costs in an effort to stem heavy losses.

The moves, coming shortly after Eastern reported a $67m third-quarter loss, will exert pressure in contract talks now underway with the International Association of Machinists (IAM), which represents about 13,000 of Eastern's 38,000 employees.

The IAM members, mainly mechanics and service personnel such as baggage handlers, refused to accept wage cuts two years ago when the airline was fighting for its independence against Texas Air's takeover bid.

IAM members won an 8 per cent rise, while unions representing flight and cabin crews accepted 20 per cent cuts.

Mr Phil Bakes, Eastern's president, said yesterday: "The long-term answer to Eastern's problems is a revamped labour cost stucture.

"Lacking that, further reductions and restructurings should be anticipated."

Eastern has cut its capacity, measured in seat-miles, by 10 per cent this quarter compared with a year earlier.

Most of the 3,500 job cuts announced yesterday will be in management, clerical and related areas. Mechanics will be relatively unaffected because the airline plans to maintain its $500m-a-year maintenance budget despite fleet reductions.

In the pay talks, Eastern has proposed three categories for mechanics with hourly pay of $18, $16 and $14 against $18.33.

It is also demanding a separate contract for less-skilled service workers.

George Weston rise continues

By Our Montreal Correspondent

GEORGE WESTON, holding company for the food processing and distribution and resource products businesses controlled by the Weston family, continued its improvement in the third quarter.

Net profit was C$39.7m (US$30.1m), or 80 cents a share, compared with C$36.9m, or 74 cents, a year earlier on revenues of C$3.3bn against C$2.9bn.

Benetton in link with NatWest

By Alan Friedman in Milan

IN HOLDING, the Benetton financial services company that is spearheading the Italian clothing group's diversification drive from clothing into finance, has formed a link with County NatWest Investment Management (CNIM), National Westminster Bank's portfolio management division.

The deal will see the NatWest investment management division providing advisory services for two new Benetton mutual funds, both aimed at channelling Italian savings to the international capital market.

The new funds, which will form part of the In Holding stable of insurance, domestic mutual fund, corporate finance and other financial service activities, are to be called Global Bond Fund and Global Equity Fund.

Both will require the approval of the Bank of Italy and other authorities in Rome before they can begin operating. This could take around six months.

Mr Giovanni Franzi, the former investment banking executive of Merrill Lynch who took over at Benetton's In Holding last July, said yesterday that he aimed for the Benetton subsidiaries to be among the first Italian mutual funds focused on international investment. He said that CNIM was chosen for its advisory services because the NatWest division was one of the "biggest players," with about £15bn ($26.7bn) of funds under management and a staff of 70.

On the domestic mutual fund front, In Holding has already forged links with Euromobiliare, the Milan investment bank.

UAP privatisation postponed

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government has delayed the privatisation of Union des Assurances de Paris, the country's largest insurance group, until at least after the new year.

Mr Edouard Balladur, the Finance Minister, said yesterday that there could be no question of floating UAP in current market conditions, but that a decision would be made after the Christmas holidays on whether to go ahead.

UAP has lost 40 per cent of its stock market value in the last month but would still probably be the largest privatisation to date.

Its privatisation would in any case follow that of Matra, the defence and electronics group whose flotation was suspended in the wake of the stock market's collapse five days before it was due to begin.

Mr Balladur said it would be inappropriate to privatise Matra at the moment, when private sector companies were being compelled to delay capital increases, and no decision had yet been taken on when to restart its offer for sale.

The sale of a 15 per cent stake in the state airline, Air France, has also been delayed.

Political opponents of Mr Balladur - both the Socialist opposition and supporters of Mr Raymond Barre who belong to the government majority - have for some days called on the minister to delay the UAP privatisation.

But the minister showed an extreme reluctance to abandon the flotation, inviting bids for UAP's "hard core" of friendly shareholders even after he had suspended the Matra operation.

Mr Balladur has been anxious not to slow the pace of his FFr300bn ($52.8bn) privatisation programme, already 40 per cent completed, which has until recently appeared to be one of the main electoral planks for Mr Jacques Chirac, the Prime Minister, in next year's presidential elections.

His desire to move UAP, in particular, into the private sector - even though its value is largely based on its investment portfolio, and is therefore more vulnerable than that of other companies to the effects of the stock market collapse - has prompted further political criticisms.

UAP is chaired by Mr Jean Dromer, a close supporter of Mr Chirac, and Mr Balladur has been accused by Barrists and Socialists of wanting to ensure that the insurance giant, with its key stakes in all France's major corporations, stays in the hands of his political allies.

Some overseas institutional investors, meanwhile, have in recent days interpreted his reluctance to postpone UAP as a determination to press ahead at all costs, and has contributed to the fragility of the French stock market.

Yesterday's announcement, however, coincided with a strong rise in the Paris market prompted by the improvement in the US commercial deficit. The CAC indicator rose by 8.31 per cent.

Ericsson boosted by information side

BY SARA WEBB IN STOCKHOLM

ERICSSON, THE Swedish telecommunications and electronics group, turned in a third-quarter profit for the first time in three years, helped by improvements in its information systems division.

The group said that full-year profits would match or even exceed the 1986 figure of SKr911m ($150m), before appropriations and taxes.

Profits reached SKr44m in the third quarter, against a loss of SKr93m in the corresponding period last year. Third-quarter sales rose by 10 per cent to SKr7.188bn.

Ericsson said that the improvement resulted from cost-cutting measures in its information systems operations. The group believes that the information systems division, which has incurred heavy losses for the last three years, will achieve its target of breaking even, before interest charges, in 1987.

Taking the full nine months, profits, before appropriations and taxes, reached SKr453m, up 23 per cent on the previous year. Profits were boosted by capital gains of SKr315m from the sale of shares and assets.

Ericsson had shown poor results in the first six months due to weak demand for cable in the US, high investments in radio systems and high project costs in part of its defence systems division. It is now optimistic about the full year.

Group sales for the nine months edged up 1 per cent to SKr21.89bn, while order bookings slipped by 1 per cent to SKr22.37bn, both affected adversely by the falling dollar and divestment of operations.

Ericsson's public telecommunications operations showed an 8 per cent increase in sales at SKr8.4bn, chiefly due to demand from Italy, Spain, Denmark and the Netherlands. Ericsson said that its investment in the French market would have an adverse effect on earnings in the short-term.

The group said that its operations in the US, where it is trying to break into the fiercely competitive market for switching systems, "have proceeded as planned" with new orders booked from several telephone companies.

Mr Bjoern Svedberg, chief executive officer, said: "The efforts we have made, and are making, to penetrate new markets for telephone exchanges and mobile telephones, as well as adaptation of the AXE system to the British, French and North American markets, provide a solid base for the optimism I have in the future."

The information systems operations have shown a strong improvement due to extensive cost-cutting measures, including job cuts. Last month, Ericsson signed a letter of intent to sell its office equipment operations to Design Funktion of Norway in a further effort to put the operation back on its feet.

Including this disposal, Ericsson will have cut the information systems division workforce from 22,900 to about 12,000 in two-and-a-half years.

Sulzer may face legal proceedings

By Our Zurich Correspondent

MR TITO TETTAMANTI, the leader of a shareholder group which controls some 35 per cent of the voting capital of Sulzer Brothers, is envisaging legal proceedings against the Swiss engineering company.

These would be aimed against Sulzer's refusal to enter a number of shareholders into its stock register. The company, all of whose voting equity is in the form of registered shares, limits registration to a maximum of 1,000 shares and has recently struck various shareholders from the register on the grounds that they did not buy the stock with their own money.

It was estimated last month that some 22 per cent of the registered capital was currently "floating" - that is, not entered into the Sulzer register and thus unable to exercise a vote.

Mr Tettamanti also criticises what he calls "unhelpful contentions and imputations" on the part of the Sulzer management. These include claims made that Mr Tettamanti still wanted to sell the shares he controls.

OEMV offering to be reduced

BY JUDY DEMPSEY IN VIENNA

THE SALE OF OEMV, the state-run Austrian oil and petrochemical group, will go ahead as planned, but with a significant reduction of the number of shares on offer.

After lengthy discussions on Wednesday evening, it was decided to reduce the offering from 500,000 shares, or 25 per cent of the share capital, to 300,000, or 15 per cent. The nominal value of each share is Sch1,000. The issue price has finally been set at Sch4,400.

There was speculation that the offering might be postponed in the light of the collapse of the stock markets and the poor interest in the sale shown by foreign investors. Originally it was planned to offer 40 per cent to foreign investors. Now this has been completely cut out.

Instead, the 300,000 shares will be offered to the domestic market. Until November 16, the 15,000 employees of OEMV, including those in retirement, can buy five shares per person. They will receive a 15 per cent dividend. The rest will be sold to the domestic market with a 16 per cent dividend.

"If foreigners want to buy, they can, but we are not setting aside a set amount for them," Mr Herbert Kaes, the chairman of OEMV's board of management, said yesterday.

Subscriptions open on November 16 and close on November 25. The shares will be listed on the Vienna bourse on December 3 and on the Frankfurt and Munich stock exchanges on December 9.

The partial privatisation of OEMV, one of the few successful state-run industries, which recorded a net profit (dividends) of Sch300m ($25.4m) for 1986, is regarded as a test case for the Austrian Government's privatisation programme, in which 49 per cent of the state's holdings will be gradually sold to the public.

No decision has been made about offering a second tranche. "It depends on the response to the issue price, foreign interest and the state of the stock markets," said an official of Creditanstalt Bankverein, the Austrian bank which is leading the sale.

SBC steady despite market turbulence

By John Wicks in Zurich

SWISS BANK Corporation expects 1987 profits to be close to the record SFr674m ($490m) booked for last year.

Mr Walter Frehner, president of the Basle-based bank's executive board, said in Zurich yesterday that this should be possible despite recent developments on the stock and foreign exchange markets and a substantial rise in operating costs.

The results of the continuing nervousness on financial results was not yet wholly clear, said Mr Frehner. Value adjustments would certainly have to be made in respect of securities holdings, though provisions to this end had been set aside in previous years.

Income from safe-custody fees was unlikely to be affected to any noticeable extent, he added, while brokerage commissions should reach a new record. Mr Frehner said it was difficult as yet to judge the future development of syndication fees.

Elsewhere, SBC expects higher profits this year from its foreign exchange and precious metals trading operation and hopes for a rise in net interest earnings.

With regard to investment policy, Mr Hans-Conrad Kessler, a general manager, said SBC had recommended a reduction in the equity share of portfolios in September. He indicated that future portfolio management models would foresee a restructuring in favour of quality stocks with a high dividend yield, as well as a further expansion of bond holdings "for conservative investors."

The bank does not expect any major slowdown in the Swiss economy in the wake of the stock market crisis. This is seen as leading to a reduction in potential 1988 growth of "no more than 0.5 per cent" in terms of real gross domestic product expansion. SBC economists now believe

Viag sees further profits rise

BY ANDREW FISHER IN FRANKFURT

VIAG, THE West German energy, aluminium and chemicals group in which the Government plans to sell more shares next year, is set for a further rise in profits this year.

The Bonn-based company said that net profits in the first nine months totalled DM120m ($70m). It gave no comparison, but analysts noted that Viag was thus on target for a full year's total of some DM160m against DM149m in 1986.

Last week, the Government said that the remaining state-owned shareholding of 60 per cent in the company would be sold next year. Just over 47 per cent is directly owned by the government and 12.5 per cent by the Kreditanstalt fuer Wiederaufbau.

Viag said turnover in the first nine months was 5 per cent lower at DM7.9bn. On the energy side, there was a decline through lower gas prices, while currency movements held back revenues in D-Mark terms in aluminium. Turnover rose slightly in chemicals, however.

The figures showed that Viag has slowed its rate of turnover decline from the 9 per cent recorded in the first half. Mr Reinhard Fischer, an analyst with Banque Paribas Capital Markets in London, estimated the turnover fall in the full year would be just 3 per cent.

The company said that under new accounting rules, it intended to consolidate its interests in its two main energy utilities, Bayernwerk, in which it owns 39 per cent, and Thyssengas (50 per cent).

This will increase its stated earnings per share, which last year totalled DM25.30. Viag's share price yesterday recovered in line with the German stock market to close at DM175 against DM160 on Wednesday.

At this level, the state-owned stake set for privatisation is worth just over DM1.2bn. The Government sold a 40 per cent holding last year to raise DM765m.

Kuoni acquires Austrian group

By Our Zurich Correspondent

REISEBUERO KUONI, the Swiss-owned travel agency concern, has taken over the Austrian tour operator, Nur-Neckermann Oesterreich.

The Austrian company, which booked a turnover of Sch450m ($38.1m) in the year ended October 1987, is now back in profit after a loss of Sch20m in 1986.

Following the takeover it will continue to be managed independently but will co-operate closely with Kuoni's Austrian subsidiary, which has 14 branches and a turnover of Sch1bn.

Moet Vuitton forecasts 20% growth for 1987

BY OUR PARIS STAFF

MOET HENNESSY Louis Vuitton (LVMH), France's leading luxury products group recently formed by the merger of the Moet Hennessy champagne, cognac and perfume group with Louis Vuitton, the luggage maker and owner of Veuve Cliquot champagne, expects to report net earnings of FFr1.3bn ($229m) this year on sales of FFr13bn.

The FFr1.3bn profit would represent an increase of about 20 per cent over the previous year if the two companies had been merged in 1986. On the same basis, sales would show a 16 per cent rise this year over last year.

However, some financial analysts had expected the merged group to report profits of more than FFr1.3bn this year. Indeed, the recent stock market crisis is not expected to have an impact on the group's results.

LVMH also reported yesterday first half sales of FFr8.6bn, showing a 17 per cent increase over the first half of last year if the two companies had already been merged.

The profit rise this year has been spearheaded by the group's baggage and cognac businesses. The merger has also given the new group a 22 per cent share of the champagne market and a strong position in the perfume business with its Christian Dior and Givenchy brands.

Japanese cable group shows 97% increase

By Stefan Wagstyl in Tokyo

FURUKAWA ELECTRIC, a Japanese cable and wire making company, has reported a 97 per cent increase in interim pre-tax profits to Y7.1bn ($52.6m) due to sharp reductions in costs.

The company, which processes copper and aluminium, benefited from the fall in the cost of imported raw materials and from streamlining its production plants. It shed 400 of its 7,419 workers.

Sales in the six months to the end of September rose marginally, by 0.5 per cent, to Y221bn. Net profits were up 50 per cent to Y3.33bn.

Furukawa is forecasting Y440bn sales for the full year, up from Y424.1bn, and Y13bn in pre-tax profits against Y8.4bn.

Fecsa in talks to dispose of offshoot to Dumez

BY DAVID WHITE IN MADRID

FUERZAS Electricas de Cataluna (Fecsa), the Spanish electrical utility which is negotiating a plan to restructure its $5bn debt, is engaged in "advanced discussions" for selling its construction subsidiary, Constructora Pirenaica (Copisa), to the Dumez group of France.

Copisa, whose main client is Fecsa, had sales last year of Pta7.8bn ($70m), down from Pta10.3bn in 1985.

Under the proposed deal, which forms part of plans to dispose of profitable Fecsa subsidiaries outside the electricity sector, Dumez would pay between Pta500m and Pta600m and assume Copisa debts of Pta2.4bn, Fecsa said.

However, the sale of Copisa is being vigorously opposed by representatives of the company's 500-odd employees. Fecsa said the deal would include guarantees for jobs and for continued contracts from the electrical utility for laying cables, maintenance and other work.

It said the sale was due to be completed next month. Copisa is at present 89 per cent owned by Fecsa itself, with the rest in the hands of another subsidiary.

The steering committee of Fecsa's foreign banking creditors is meanwhile due to meet in London next Monday to discuss a provisional agreement reached with negotiators on a debt-rescheduling and capitalisation plan.

INTERNATIONAL COMPANIES & FINANCE

Mixed results at Japanese opticals

By Carla Rapoport in Tokyo

THREE of Japan's leading camera and office equipment makers have turned in mixed results for the six months to September.

Of the three, Ricoh reported the best set of figures, largely because of its move to higher value-added exports and its widely diversified product mix.

Nippon Kagaku, maker of Nikon cameras, incurred an operating loss in the period as camera exports dropped by 18 per cent. Minolta, which derives 80 per cent of its sales from exports, reported a plunge in profits for the period.

Ricoh, a leader in copiers, said it boosted pre-tax profits by 45.8 per cent because of brisk exports of its office automation equipment, including *facsimile* machines and printers, which soared by 78 per cent in the period.

The profits of Y13.2bn ($97.8m) compare with Y9bn last year, while sales grew to Y270bn from Y239bn.

For the full year, Ricoh is forecasting profits of Y26bn on sales of Y550bn. Exports overall for the six-month period grew by 35.9 per cent, in spite of the appreciation of the yen.

Minolta, however, which depends more heavily on exports than Ricoh and has a smaller product range, reported a drop in profits for the six months to Y2.6bn, compared with Y5.2bn last year. Sales dropped to Y99.6bn from Y111bn.

The company said it suffered foreign-exchange losses of Y2.4bn. Copier sales were smooth in the period, however.

Nippon Kogaku fared even worse, producing an operating loss and passing its interim dividend. Pre-tax profits dropped 78 per cent from a year earlier to Y335m, in spite of significant profits realised through financial deals. Sales dropped 3.6 per cent to Y79.8m.

The company said it stopped raising prices to cover its exchange losses because of intense competition with south-east Asian camera makers in overseas markets.

Nonetheless, it forecasts a recovery in the second half as semiconductor makers have increased orders for chip components made by the company.

As a result, the company forecasts pre-tax profits of Y2bn on sales of Y168bn in the 12 months. It intends to pay an annual dividend of Y5.

Modest rise at National Australia

BY CHRIS SHERWELL IN SYDNEY

NATIONAL Australia Bank, the largest of Australia's four trading banks in terms of assets, yesterday reported an 8 per cent rise in annual earnings after almost doubling its doubtful debt provisions.

The bank is the first of the private sector trading banks to report its results for 1987-88. The provisions have been sought by the Reserve Bank, and follow similar moves by leading banks in the US and Europe.

The figures for the Melbourne-based bank do not include the effect of its recent $408m (US$726.2m) acquisition from the Midland Bank of the UK of the Clydesdale Bank of Scotland, the Northern Bank in Northern Ireland and the Northern Bank (Ireland).

But the bank said the acquisition had increased the group's total assets to A$60bn (US$41m) from A$47bn, which was itself up 11 per cent on the year.

Net earnings for the year to September rose to A$328m from A$303.6m. Pre-tax figures showed an even more marked jump of 21 per cent, to A$805.7m from A$604.2m.

The difference is explained mostly by the increased debt provisions, although the tax burden was also higher. Provisions rose from A$104.7m to A$200.3m, an increase of 91 per cent.

The figure includes an amount of A$34m which represents 30 per cent of the bank's outstanding debt to countries which rescheduled debt during the year. The bank's overall exposure to these countries is put at A$230m, less than 0.5 per cent of total assets.

Of the remainder, write-offs increased to A$74.3m and general provisions amounted to A$92m, a sharp rise aimed at strengthening the group's balance sheet.

The improved earnings performance came from across the board. The principal contributor was the trading bank, with A$240m, up 7 per cent from A$230m. Savings bank and merchant bank activities also improved.

Gross income was up 13.8 per cent to A$5.98bn. But earnings per share were down to 67.4 cents, from 72.6 cents, while return on average shareholders' funds slipped to 12.5 per cent from 13 per cent.

On the purchase of the Clydesdale and Northern banks, the bank said it would make a "material contribution" to profit in the current year.

Sharp gain forecast at Western Mining

By Our Sydney Correspondent

WESTERN MINING, one of Australia's largest gold and mineral groups, yesterday forecast a first-half operating profit well in excess of the full-year result of A$83.5m (US$57m) for 1986-87.

Sir Arvi Parbo, chairman, told the annual meeting in Adelaide that it was impossible to predict results for the second half, which would depend on the "imponderables of world economic conditions."

But he said the group's share of gold mining production would reach 450,000 oz in the current year and show a further increase in the following year. This is close to 100,000 oz more than last year.

Western Mining is also a leading nickel producer and has interests in uranium, copper, phosphate and aluminium smelting.

Sir Arvi was speaking in the wake of the worldwide share market collapse which has hit Australian companies particularly severely. Western Mining recovered 45 cents yesterday to A$4.80, but is well off its peak of A$12.

"The company is in a very strong operational and financial shape to face whatever happens," he said.

Earnings at Cosmo Oil climb 88% after reshape

BY STEFAN WAGSTYL IN TOKYO

COSMO OIL, the Japanese oil wholesaling company formed last year through the merger of two troubled independent groups, has reported an 88 per cent increase in interim pre-tax profits to Y12.8bn ($94.8m), attributable to the effects of rationalisation.

Cosmo, which took over the business of Daikyo Oil and Maruzen Oil, cut its workforce by 856 to 5,873. The company also increased profits from financial investments and gained from a rise in oil prices which allowed it to sell high-priced stocks.

Sales in the six months to September were down 17.1 per cent to Y615bn following the deconsolidation of Cosmo's liquified petroleum gas (LPG) division. Net profits were 179 per cent higher at Y6.4bn.

● **Mitsubishi Oil**, an oil distribution company controlled by the Mitsubishi group, reported a 155 per cent leap in interim profits to Y7.6bn pre-tax, on sales of Y315bn, down 4 per cent.

● **Idemitsu Kosan**, Japan's second largest petroleum refiner and distributor, more than doubled pre-tax profits from Y2.41bn to Y5.45bn.

Project cancellation hits Israeli defence company

BY JUDITH MALTZ IN JERUSALEM

ELBIT, a leading Israeli computer and defence electronics company, has reported a 28 per cent drop to $5.1m in its net profits for the first half ended September.

The downturn was attributed to the recent cancellation of the controversial Lavi fighter bomber project which, over the past three years, had been responsible for up to 10 per cent of the company's income. In its latest quarter, Elbit put aside $1.5m to finance cancellation costs.

Last month, Mr Emmanuel Gill, company president, announced a big reorganisation programme, aimed at improving Elbit's chances of being awarded some of the $400m in US military aid being allocated to the production of a new generation of alternative weapons.

Sales at Elbit rose by 6 per cent to $81.1m in the first half. The company's backlog of orders stood at close to $250m at the end of September.

Meanwhile, Elron Electronic Industries, Elbit's parent company, reported a $800,000 loss in the first six months of its financial year, after earning $2.1m in the same period last year.

Drop in sales triggers loss at Okuma

By Ian Rodger in Tokyo

OKUMA Machinery Works, one of Japan's leading machine tool builders, suffered its first operating loss in nine years in the six months to September because of a 29.1 per cent fall in sales, and has cut its interim dividend by 35 per cent to Y2.75 per share.

The company is a leading exporter of machine tools, and last year the Japanese machine tool industry agreed to reduce voluntarily its shipments to the US.

The result for Okuma was a 29.1 per cent fall in sales in the first half to Y30.2bn and an operating loss of Y619m.

However, thanks to earnings from financial transactions, the company made a pre-tax profit of Y624m, although this was down 69 per cent.

Mr Takeo Okuma, president, said he was concerned about the yen's fresh advance against the dollar, but he expected demand to pick up in the second half and a return to profit at the operating level.

The company is forecasting a pre-tax profit of Y1.5bn in the full year.

Expansion in US helps Dainippon Ink advance

BY OUR FINANCIAL STAFF

DAINIPPON INK and Chemicals, the Japanese printing materials and resins group which has been aggressively expanding in the US, yesterday unveiled a 12.6 per cent gain in pre-tax profits to Y6.43bn ($47.7m) for the first half to September.

Sales grew 4.4 per cent to Y204.3bn during a period in which the company said it had been streamlining its sales system because of the pressure of the high yen.

Its chemical business was helped by stability in the oil price and increased demand, while research and development spending on value-added products continued to increase.

Its international network in technology, products and sales was enhanced by its tie-up with Sun Chemical and Reichhold of the US.

The interim dividend is being maintained at Y3 per share, paid from net earnings of Y4.59 compared with Y4.26.

For the full year, pre-tax profits are expected to rise to Y13.5bn from Y12.1bn on sales up at Y415bn from Y389.8bn.

Uncertainty over the direction of foreign exchange markets and the US economy may make forecasts less reliable, it warned.

Alexander Nicoll on UK companies' experiences on Wall Street

'Clear need' for US quote stressed

COMPANIES considering a US quotation for their shares should carefully weigh their objectives in doing so before deciding how to go about it, delegates to a Financial Times conference were told yesterday.

Several speakers emphasised this point on the second day of the conference on the prospects for the American depositary receipt business, staged in association with the National Association of Securities Dealers Automated Quotation system.

Mr John Edwards, finance director of Jaguar, said the aim of his company had been to obtain a fully-valued share price, but not to raise capital in the US. The City of London, though keen on Jaguar, had been unconvinced about its long-term future.

The company has graduated from an unsponsored to a sponsored programme, and to a Nasdaq quotation. At the peak earlier this year, ADR holders accounted for 50 per cent of the company's equity, though this had fallen to 35 per cent.

Jaguar had chosen Nasdaq over the New York Stock Exchange partly because of the Big Board's more onerous reporting requirements, including quarterly earnings reports which Jaguar considered meaningless. However, the NYSE had since relaxed its restrictions.

Companies should go straight for sponsored programmes and should back up their programmes with a strong investor relations process, Mr Edwards said.

Mr Graham Whitehead, president of Jaguar Cars, who chaired yesterday's session, reported that the ADR programme had helped to boost sales of Jaguar cars to affluent US investors.

FT CONFERENCE
The prospects for the ADR Business

English China Clays had gone through a different process because its objectives in the US had been different, said **Mr David Loosley**, its treasurer.

It wanted to obtain currency for acquisitions, to diversify its sources of funding - it already had a US commercial paper programme - to broaden its shareholder base in order to facilitate fund-raising for acquisitions, and to get its name better known in the US.

Consequently, it had opted for an initial public offering in the US. In doing so, a company needed to set a large enough issue volume to attract sufficient investor interest and enable them to deal in volume. In this context, Mr Loosley welcomed the fact that recent guidelines issued by UK institutions on size of issues, following the dispute over pre-emption rights, were open for consultation in individual cases.

Companies needed to ensure the full commitment of top management, Mr Loosley said. He also warned them not to be deceived by enthusiastic investment bankers and to allow four to six months for a full filing with the Securities and Exchange Commission.

English China Clays had experienced no "flowback", and during the stock market crash its ADRs had performed in line with the Dow Jones Industrial Average.

Mr Tim Rosen, managing director of Catalyst Communications Group, spoke on behalf of one of the smallest companies to have arranged an ADR programme.

The fast-growing sales promotion consultancy is quoted on the Stock Exchange's Third Market and has just arranged an ADR programme mainly to facilitate US acquisitions of private companies. Such acquisition plans were now on ice, especially as owners of private companies would probably take some time to adjust down the expected value of their businesses after the crash.

Mr Rosen said obtaining a programme had been cheap and simple, that one-to-one presentations to US institutions were more effective than big seminars, and that small companies should consider a programme only if they had big ambitions in the US or if a programme was seen as good public relations.

Ms Virginia Giuffre, a vice president of Citibank, said companies should consider an ADR programme if they wanted to expand their shareholder base into the US, tap a new source of capital, increase visibility internationally, support US subsidiaries and position themselves for US acquisitions.

Mr Robert Murray, a vice president of Morgan Guaranty Trust, pointed to the complexity of preparing a 20F filing for the SEC, which involves converting figures into dollars and altering them to fit US accounting principles.

A rise in the US stock market over the next six months was forecast by **Mr David Fitzwilliam-Lay**, a director of GT Management, provided that the US budget deficit was seen to be responding to treatment and if there was optimism that inflation could be reduced without too much pain.

Professor John McDonald of Stanford University drew some parallels from history to present-day financial markets. He likened the rise and fall of Amsterdam as a financial power to what he thought could happen in Japan.

Mr Desmond Harding, head of corporate communications at Beecham Group, described how his company had improved its relationship with the City.

Sweden to toughen options rules

By Sara Webb in Stockholm

SWEDEN'S two options markets said yesterday they would introduce tougher controls on trading in an effort to stem the recent flood of losses suffered by banks and brokerages, which have run up to an estimated SKr750m ($124m).

At the same time, the Stockholm Stock Exchange board called for the introduction of legislation to cover the options and futures markets.

According to information released yesterday, options trading losses surpass earlier expectations and amount to SKr750m based on figures collected at the end of last month.

Further losses could be expected from banks or brokerages which have not closed their positions, the Bank Inspection Board said.

Svenska Handelsbanken, Sweden's third largest commercial bank, said its losses had grown to SKr464m, exceeding its earlier loss estimates of SKr100m.

The two options markets - *OM* and *SOFE* - plan to introduce several measures to tighten control and make sure that banks and brokers demand sufficient collateral from clients.

Measures to be introduced include:

●Assurances that customers can meet the collateral requirements the day a transaction is made, instead of the day after.

●The establishment of a clearing control organisation (jointly owned by the two markets) which would advise on administrative routines and the control of risk exposure, as well as conducting audits.

●Audits into a number of brokerages which the markets believe are not following the existing rules on collateral requirements.

●The distribution of information about daily collateral requirements to the managing director of each brokerage (as well as to the Bank Inspection Board) by the two markets, in an effort to make senior management more aware of risks undertaken.

●Further training programmes and information on options and risk exposure, especially aimed at senior management where ultimate responsibility for decision-making lies.

Euro CP has doubled over year to $54bn

By Alexander Nicoll, Euromarkets Editor

THE rapid growth of the Eurocommercial paper market is underlined in figures published yesterday in the Bank of England's quarterly bulletin.

According to figures from Euroclear, used by the Bank in a survey, the size of the market had doubled in a year by the end of September to stand at $53.8bn.

The total includes notes issued under committed issuance facilities, but these have shown slow growth from $14.5bn in September 1986 to $18.3bn a year later.

Instead, issuing has been concentrated in programmes not linked to *underwritten facilities*. These nearly tripled over the past year, from $12.4bn to $33.6bn.

Issues of medium-term notes - continuously offered through dealerships like commercial paper but for longer periods - have risen from $10m to $1.9bn.

The figures are important as they provide the first official view of paper actually issued in the market. In its study the Bank employed two methods, involving clearing houses such as Euroclear and issuing agents in the market.

The Bank found a reassuring degree of correlation between the two sources. At end-June, the Euroclear estimate adjusted for known discrepancies in calculation was $41.9bn. The survey of issuing agents showed $40.5bn.

The figures show that US borrowers have been the most prominent, with $8.7bn of issues at end-June, followed by Australian with $7.2bn and Swedish with $3.8bn.

The bulletin also reported on the development of the sterling commercial paper market, which it described as still young after 18 months of life although having made a positive start. It notes that most of the very largest companies have still not issued in the market, perhaps because of its small size but also because of the relative cheapness of other funding sources.

The relationship between rates for sterling CP and acceptances was volatile, the Bank said, but the former was likely to be cheaper at the very shortest and very longest maturities.

Firmer trade figures fail to boost dollar sector

BY CLARE PEARSON

SLIGHTLY better than expected US September trade data buoyed the dollar yesterday, but had only a muted effect on the dollar bond market which awaited news on the budget deficit reduction talks in Washington.

Rumours circulating during European trading time that the White House was about to announce a conclusion to the talks made for cautious dollar bond dealing. Late in the day, the White House said it would make an announcement shortly but did not say when.

The September trade figures, which showed that the deficit had narrowed to $14.08bn from $15.7bn in August, acted as only a mild encouragement to the bond market.

However, Eurodollar bonds outperformed US Treasuries and prices improved by as much as ½ point in the 10-year area. Dealers said this reflected the fact that professionals were overall short of bonds following a revival in investor interest recently. A recent $200m five-year issue for **Oesterreichische Kontrollbank** improved to close at a bid price of less 1⅞.

Prices of non-dollar Eurobonds eased slightly in response to the firmer dollar. In the Euroyen market, prices fell by as much as ⅜ point at one stage in the afternoon although they recovered slightly towards the close.

Meanwhile, the **No 89** benchmark Japanese government bond fluctuated between a yield on the bid side of 5.08 and 5.01 per cent, closing at around 5.05 per cent.

Eurosterling bonds saw volatile trading along with the gilt market. Gilt prices opened sharply lower in response to further gains in the UK equity market, and were driven down again during the afternoon when the dollar firmed.

But a faltering in the dollar later on spurred a bout of professional short covering which left gilts about ½ point higher on the day, and Eurosterling bonds unchanged.

INTERNATIONAL BONDS

One new issue emerged in the London market: a $35m four-year floating rate note for a special purpose vehicle, **Flash 3.** The bond, backed by $38.8m worth of both straight and ex-warrant Japanese bonds, is priced at 100.10. It pays 18 basis points over six-month London interbank offered rate and was led by Sanwa International.

The D-Mark market eased in the face of the firmer dollar and stronger share prices in active trading. Some shorter-dated D-Mark domestic bonds lost nearly a point in price, while longer issues lost about ¼ point.

Longer-dated D-Mark Eurobonds shed ½ point during the day, although shorter-dated Eurobonds recovered towards the close to end about ¼ higher.

Market rumours suggested details of a new Federal railway bonds issue would be announced next week.

In Switzerland, prices ended the day slightly firmer in continuing moderate volume, despite gains in the Swiss equity market. A SFr100m 5¼ per cent 10-year bond for the Canadian **Province of Saskatchewan** closed its first day's trading at 103½, 3½ points above its issue price. Dealers said the issue benefited from the popularity of Canadian names among Swiss investors.

Credit Suisse announced a SFr200m seven-year issue for **Philips**, the Dutch electronics group. The 4½ per cent bond, priced at 100⅜, was thought slightly aggressively priced but nevertheless found a good initial response. A grey market bid price of less 1¼ was quoted. An outstanding issue for Philips, with a 5⅛ per cent coupon due in 1997, is currently yielding around 4½ per cent.

Swiss Bank Corporation priced a SFr120m issue for **US F&G**, the US insurance company. The maturity was changed from 10 to eight years, which Swiss Bank said was at the borrower's request. The coupon was set at 5½ per cent, as had been indicated, but the price reduced to 99½ from par.

Banque Indosuez said it was changing the terms on a SFr35m convertible issue for the Canadian **D'Or Val Mines.** Final terms on the bond had been fixed on October 16, just before the stock market crash.

Banque Indosuez said it was adjusting the conversion price down following a fall in the company's share price. The conversion price was originally set at C$3.89. Under the new terms, the price will be C$2.5 in the first year, C$3 in the second year. During years three to eight it will be at the original level.

HK damage from shares fall 'limited'

THE stock market plunge has placed three small Hong Kong brokerage firms in financial difficulty, but for most members of the local exchange the damage has been limited, Mr Robert Fell, senior chief executive of the exchange, said yesterday.

One of the ailing companies would probably face an "orderly liquidation" and the others had been suspended from trading. He did not name any of the firms, ***Reuter reports from Hong Kong.***

Mr Fell said it was too early to assess the full extent of damage from the decline in prices since October 19.

NASD sets up London link

BY OUR EUROMARKETS STAFF

THE National Association of Securities Dealers, which operates Nasdaq, the US over-the-counter securities market, yesterday announced a new computer link which will allow member firms in London to trade directly with the US market.

The system will make Nasdaq the first market in which dealers based outside the country can participate.

In London, Mr Joseph Hardiman, NASD president, said 10 member companies had already ordered terminals which would enable them to enter bids and offers directly into the Nasdaq system.

Mr Hardiman said dealers in London were likely to concentrate initially on international issues whose shares were traded in American depositary receipt form. About 75 per cent of the 128 ADRs are listed on Nasdaq.

The computer terminals will enable NASD member firms in London to execute trades directly by computer through Nasdaq's small-order execution system. This allows computer execution of trades in up to 1,000 shares in more than half the Nasdaq listed shares.

The new active dealer terminals are distinct from the existing quotation display terminals which show Nasdaq prices to dealers in other countries. There are about 26,000 of these at the moment, of which 6,000 are in London.

Separately, NASD said it was arranging a link with the Singapore Stock Exchange on the same lines as the link with the International Stock Exchange in London, established last April.

Nasdaq will initially send closing quotation, last sale and volume information on 35 shares to Singapore. In December, the Singapore exchange will begin transmitting its own closing quotations and volume information back to Nasdaq.

The London Stock Exchange and Nasdaq exchange quotations on 600 issues, and clearance and settlement facilities to make transactions between dealers and brokers easier, have recently been completed.

OECD voices concern over market

BY OUR EUROMARKETS STAFF

CONCERNS about the state of the Eurobond market are voiced today by the Organisation for Economic Co-operation and Development.

In its Financial Market Trends publication, the OECD says a contraction in new borrowing on the international capital markets which may occur this year is not necessarily a negative factor, because it has been growing at an unsustainable pace.

But the climate of the Eurobond market has deteriorated seriously because of underlying malaise in the functioning of issuing and trading mechanisms.

It has become more volatile, and there has been a "flight to liquidity" out of Eurobonds.

The OECD also says, however, that the Eurobond market has proved resilient and flexible before, that examples of blatant underpricing have become less common, and that many securities houses are reassessing their operations.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	92⅜	93⅛	+0⅛	+0⅛	9.55
All Nippon Air 9⅝ 97	100	93⅞	94	0	+0⅛	10.41
American Brands 8⅞ 92	150	97¼	97¾	0	+0¼	9.54
A/S Eksportfinans 7¾ 91	200	92	92½	+0⅛	+1⅛	9.37
A/S Eksportfinans 7¼ 92	150	93⅛	94⅛	−0⅛	+0⅛	9.05
Belgium 9⅛ 92	400	99⅞	100⅛	+0⅛	+0⅛	9.11
British Telecom 7⅜ 96	250	87	87½	0	+0¼	[illegible]
British Telecom 8⅞ 94	150	†97	97½	0	+0⅛	9.43
Canada 9 96	1000	97¼	98	0	−0⅛	9.36
Canadian Pac 10⅞ 93	100	†104⅝	105⅛	0	+0¼	9.53
C.C.C.E 7⅛ 91	115	94⅛	94⅞	0	+0⅛	8.91
C.N.C.A 7¾ 91	150	95⅛	95⅝	0	+0⅛	9.21
Coca-Cola Ent. 8¾ 90	100	98⅛	99	0	0	8.76
Credit Lyonnais 9 91	200	99⅞	100⅛	0	0	8.97
Credit National 7⅞ 92	100	93⅞	94⅛	+0⅛	+0¼	9.01
Credit National 7¼ 91	150	94⅛	94⅝	+0⅛	+0¼	8.94
Denmark 7⅛ 92	500	92¼	92⅞	−0⅛	+0⅛	9.39
Denmark 8¼ 91	300	97¼	98	0	+0⅛	8.97
E.E.C 7 91	100	93⅞	94⅛	0	+0⅛	8.78
E.E.C. 7¼ 93	250	92	92½	+0⅛	+0⅞	9.14
E.E.C 8¼ 96	100	92⅜	92⅞	+0⅛	+0⅛	9.57
E.I.B. 7⅞ 93	100	92¼	93	0	+0⅛	9.25
E.I.B. 9⅞ 97	150	98¼	98⅞	+0⅛	+0¼	9.63
Finland 7⅞ 97	200	88⅞	89⅞	0	+1¼	9.79
Finland 7½ 93	200	92	92½	0	+1¼	9.27
Ford Motor Cred 11⅞ 90	100	104⅝	105⅛	0	+0⅛	8.73
Gen Elec Credit 10¼ 00	200	102	102⅝	0	0	9.91
G.M.A.C. 8 89	250	98¼	99¼	0	+0⅛	8.40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	94⅞	95⅛	−0⅛	−0⅛	5.53
E.I.B 4⅝ 94	40	95⅛	95⅝	−0⅛	−0⅛	5.46
Elec. De France 5⅛ 94	20	98⅛	99	−0⅛	−0⅛	5.35
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland 5 02	150	†91¼	92	0	−0½	5.85
Newfoundland 5⅛ 02	150	†100	100½	+0⅛	−1⅛	5.10
Polly Peck 6 92	75	†97½	97¾	+0⅛	−0⅞	6.65
Prov.of Manitoba 4¾ 02	200	†99¼	99½	0	+0¼	4.83
Prov. of Quebec 5 03	200	†98	98¼	−0⅛	+1⅛	5.17
Qantas Airways 4¾ 97	110	†94	94½	+0⅝	+2⅛	5.52
SHV Holdings 4¾ 94	100	†100	100¼	+0⅛	+1⅛	4.73
Tiroler 4¾ 97	100	†99¼	99½	−0⅛	+1¼	4.83
TNT 5 95	100	*†98½	98¾	0	−0⅛	5.22
Woolwich B/S 4½ 92	120	†96½	98	−1⅛	+1⅛	5.15
World Bank 5 02	200	†95	95¼	+0⅛	+0⅞	5.49

Average price change... On day +0⅛ on week +0⅛

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

BOC pleases City with £263m

BY MIKE SMITH

BOC, gases and healthcare company, pleased the market yesterday by announcing that it was fully hedged this year against any fall in the dollar and by delivering pre-tax profits for 1987 in line with expectations.

The shares have underperformed the market since Black Monday because of concern about the company's exposure to the US economy and to the dollar. They saw some recovery yesterday after Mr Richard Giordano, chairman, said the company had started to make hedging contracts in July and would not be materially affected this year by any swings in the dollar.

Pre-tax profits in the year to the end of September rose from £85.4m to £263.2m on turnover down from £2.37bn to £2.3bn. The 1986 profit figure was after an exceptional item of £128m being the write-down of its carbon graphite electrode assets.

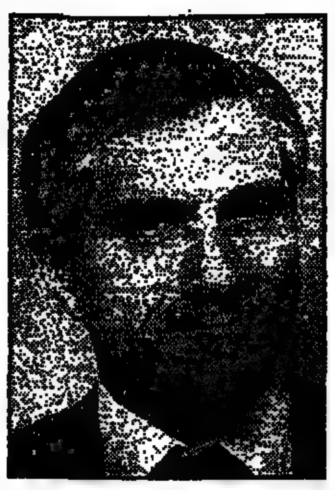
Analysts who had recently downgraded their profits forecasts for the current year, revised them upwards again with most settling about £290m. Shares rose 22p to 355p.

After tax of £74.9m ((£61.7m) earnings per share were 36.32p (29.71p before an exceptional item). The final dividend is 7.65p net, making a total of 12.8p, up 19 per cent.

Figures for last year showed operating profits in gases and related products were 11 per cent ahead at £197.4m and special products rose from £16.4m to £53.1m. Healthcare was flat, however, with profits just £700,000 up at £80.6m.

Currency movements were partly reponsible for healthcare's performance - profits would have risen 12 per cent otherwise - but Glasrock Home Health Care, a US company bought four years ago, fell into losses.

Mr Giordano said this was due largely to investment in new management and software systems. These would reduce operating costs and return the business to profit this year. Glasrock would soon be able to make acquisitions again.



Richard Giordano
"BOC - a defensive stock"

The Ohmeda equipment businesses were strong, partly because of increased hospital spending in the US.

Mr Giordano said BOC was more of a defensive stock than most other industrial companies. A third of its business was in healthcare products which sold relatively well during a recession; the gases business sold to a wide variety of customers and much of its revenues were fixed

BOC expects a decision within 14 days on whether it can sell its US carbon graphite to Horsehead Industries. It has agreed a sale for $190m but the US authorities are investigating the deal because the buyer already has a substantial market share.

BOC's gearing, at 28 per cent, is lower than it has been for a decade. Cash performance was strong last year and the interest charge fell £10.4m to £50.5m.

Operating profits last year were £313.7m (£274.8m) with Europe contributing £90.1m (£76.2m), Africa £36m (£27.5m), Americas £123.9m (£98.7m) and Asia/Pacific £64.2m (£58.3m).

See Lex

Staveley hits £6.4m on back of better margins

MR BRIAN KENT, who took over as chairman of Staveley Industries in July, yesterday revealed that interim profits had surged to £6.39m pre-tax, an improvement of 46 per cent over last time's £4.38m.

Sales for the half year, to September 26, pushed ahead to £98.56m (£94.06m). Order input had been satisfactory and at £104m was 15 per cent up on the same period last year. Margins at the pre-tax level improved from 4.66 per cent to 6.48 per cent.

Tax rose to £1.53m (£877,000) and minorities to £886,000 (£89,000). There were also extraordinary provisions this time of £930,000.

Earnings worked through slightly ahead at 5.39p (5.15p) and the interim dividend is being stepped up from 1.5p to 1.7p per 25p share.

Minerals and manufacturing had less buoyant first halves, the latter being affected by the sale of Lapointe. Both were expecting better second halves.

Measurement and mechanical and electrical did significantly better, improving both margins and order books.

Mr Kent said the acquisition of Weigh-Tronix should continue to balance the company's performance between first and second half years. Minority interest increased due to the consolidation of the Weigh-Tronix results.

The directors have completed their review of the group's positioning in the US market for Materials Testing (NDT) Products and Services. This resulted in the closure of the Trenton, New Jersey.

• comment

Salt may or may not be good for you but it could prove to be very good for Staveley if a recession hits; economic conditions would have to get pretty desperate before people started cutting back on their salt consumption. The corollary is that salt is not going to bring much growth but it does generate cash which Staveley has diverted in the eighties to fund more expansion minded companies like Weigh-Tronix. The latter helped boost margins and pre-tax profits but the increased tax charge and minorities and the extra shares now in issue meant that little fell through to the bottom line. These figures did not change the market's estimates for full year profits - £17.5m - and the shares were unchanged at 143p. What could give them spice is a bad winter and a resulting salt-spraying spree.

BET buying Bennett Transport for £9.3m

BY MIKE SMITH

BET, international services company, is buying Bennetts Transport, the privately-owned haulage group, for £9.25m in shares and cash.

Bennetts, which has annual sales of about £10m, specialises in contract distribution and warehousing between the UK and Europe.

The acquisition represents a further step in the restructuring of United Transport International, BET's transport subsidiary. During the last five years UTI has sold off peripheral businesses, reduced its dependence on African passenger transport and concentrated on specialist freight.

UTI said it shares a number of important customers with Bennetts and will gain "backload benefits" on overlapping routes.

BET is paying £7.33m in cash and issuing 815,557 shares valued at £1.92m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Apricot ....int	0.5	Jan 5	nil	-	nil
Bank of Ireland ....int	4†	Dec 14	3.25	-	11
Bellway ....fin	5†	Jan 19	4.5	8	7.5
BOC Group ....fin	7.65	April 5	6.42	12.8	10.79
Foster, John ....int	1.5	Jan 15	1	-	3.5
Gleeson (M.J.) ......fin	4.8	-	4.26	6.66	5.91
London Intl. ....int	2.05	April 6	1.75	-	5.4
NMC Invest ....int	0.7†	Jan 5	0.5	-	1.5
Oxford Instrum. ....int	0.9	Mar 25	0.8	-	2.4
Smallshaw (R.) .....int	0.75	-	0.75	-	2.75
Staveley ....int	1.7	Jan 5	1.5	-	5
Thames TV ....int	4.4	Jan. 7	4	-	12
Tie Rack ....int	0.37	Dec 31	-	-	-
Wellcome ....fin	2	Feb 2	1.32	2.81	1.32
Yale and Valor .....int	1.8†	Jan 15	1.53	-	5.77

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market.

Former Woolworth chief for Benlox boardroom

By Nikki Tait

MR MALCOLM PARKINSON, the former chief executive of Woolworth and director of Woolworth Holdings who left the retail group last week, is joining Benlox, the small civil engineering and investment dealing company which is currently making a "demerger" bid for Storehouse.

In the event of Benlox winning its bid, the agreement with Mr Parkinson is that he would become managing director of Storehouse. In the meantime, says Benlox, it is intended that Mr Parkinson will join the Benlox board on November 23.

Mr Parkinson, who has a background in marketing and advertising, joined Woolworth via its acquisition of B & Q, the DIY chain in the early 1980s. When Dixons, the electrical goods retailer, bid for Woolworth Holdings in early 1986, Mr Parkinson was marketing director at B & Q.

However, he subseqently played a prominent role in the company's bid defence and, shortly after Dixons' defeat, became chief executive of the Woolworth chain stores.

Mr Parkinson said he hoped to play a frontline role in the Benlox bid - "I feel as passionately about this bid as I did the Woolworth one" - and had choosen the Benlox approach from a number of job offers as "the most exciting".

Storehouse - which takes in the Habitat, BhS, and Richards Shops chains and is bitterly opposed to the bid - has previously criticised the Benlox management's absence of retail experience. "I suppose the fact that they've got someone with some retail experience adds a fraction of credibility," said chairman, Sir Terence Conran, yesterday, "but they always said they didn't need it - they've changed their minds on that."

MIXED FORTUNES FOR OIL COMPANIES

Oversupply and high stock levels clip BP

BY LUCY KELLAWAY

British Petroleum's third quarter profits fell by about 10 per cent to £330m on a current cost basis compared with the same period last year, although its reported profits rose slightly to £356m. The similar outcome masks a dramatic swing in profitability over the past year away from the "downstream" - oil refining and marketing - to the "upstream" - oil exploration and production division.

In a letter to staff, Sir Peter Walters, chairman, said that despite the failure of the Government's recent share offering "BP remains the same strong company with its objectives basically unchanged....indeed, current market conditions could well offer opportunities to BP". He said that the outcome of the sale was "obviously disappointing for BP", and that the company was taking steps to repair its relations with shareholders and customers.

BP said yesterday that conditions in oil refining remained difficult, especially compared with the exceptionally high margins of last year. The extent of the deterioration, which it blamed on oversupply in the products markets, high stock levels and excess refinery capacity in Western Europe, is reflected in the drop in current cost profits for the first nine months of the year to £914m from last year's £1.6bn.

Although margins in oil marketing were higher, much of the advantage was spoilt by the fall in the value of the dollar in which much of the business is based.

The company said that the formation of BP America - which followed the purchase ealier this year of the minority stake in Standard Oil - was already bringing benefits. As a result of modernisation at Bingham Canyon, BP said it would become a world-scale low-cost producer of copper. In Alaska, it said profits from oil production would be improved by the new Endicott field, which would reach full production next month.

In the third quarter, profits from exploration and production rose in tandem with oil prices, with replacement cost operating profit of £558m compared with £128m last year and £473m in the second quarter. During the period BP announced progress on developing its North Sea Bruce and Miller fields, and gained permission to expand its onshore field at Wytch Farm.

Oil refining and marketing suffered a sharp fall as a result of lower margins, with profits of £54m in the third quarter against £333m in the same period last year.

Chemicals did well in accordance with continued strenth in world petrochemical markets. A profit of £61m marked an improvement on £54m achieved in both the second quarter this year and the third quarter last year.

Earlier this year BP completed its purchase of the remainder of Standard Oil, which created an overall funding requirement of £4bn after cash flow during the first three quarters of £3.3bn. At the end of the third quarter, the group debt/equity ratio had risen to 38 per cent, although has subsequently been improved as a result of the £1.5bn rights issue.

See Lex

Royal Dutch/Shell improves by 17% during third quarter

Royal Dutch/Shell yesterday announced a 17 per cent increase in its current cost profits to £647m for the third quarter of 1987, writes Lucy Kellaway.

For the first nine months current cost profits were £1.9bn, down 32 per cent on last year when the company enjoyed windfall profits in refining and at the petrol pumps.

Reported net income, which is regarded as a less useful guide to underlying profitability as it includes stock gains and losses, showed a stonger 27 per cent rise in the third quarter to £667m, and a 13 per cent rise for the first nine months to £2bn.

Shell yesterday warned of an uncertain future, in which the doubful outlook for oil prices was compounded by the escalation in the Gulf war and the general loss to business confidence caused by the recent crash in world stock markets. Nevertheless, it said it remained in a strong position to weather such uncertainties.

The composition of the results shows a dramtic change from last year, with much higher profits from oil production more than offsetting lower profits from oil refining and marketing.

As a result of the recovery in the oil price, exploration and production profits were up almost three-fold from £141m to £409m.

Shell said the result was achieved despite lower profits from gas production, on which the group is heavily dependent. The lower gas profit reflected time lags in sales contracts, which meant that gas prices did not rise in line with the oil price.

Meanwhile, profits from oil refining and marketing fell from £357m to £175m as higher crude oil prices were not fully reflected in prices of oil products. The fall occured despite an increase in product volumes of about 4 per cent.

Chemicals profits were 58 per cent up on 1986 at £169m, although were some 20 per lower than the record profits made in the second quarter of this year. However, Shell said that this was mainly due to one-off items, and that the division continued to benefit from better use of capacity and higher prices.

Cash balances were £5.2bn at the end of the third quarter, compared to £5.8bn a year ago, while the long-term debt ratio was reduced from 16 per cent to 12 per cent.

Capital expenditure and exploration expense so far this year was £3.1bn, maringally lower than the £3.3bn invested in the first nine months of 1986.

See Lex

UK COMPANY NEWS

Lisa Wood considers General Cinema's share raid

How Cadbury boosted its defences

"I BELIEVE this company has a very good success story to tell," Mr Dominic Cadbury, chief executive of **Cadbury Schweppes**, the UK confectionery and food group, said. Whether or not Mr Cadbury, at the helm since 1983, has to tell that story in his group's defence remains to be seen.

On Monday, General Cinema, a diversified US theatre chain, made a market sweep in London, increasing its 10 per cent holding in Cadbury to 18.2 per cent. However, General Cinema, which has moved widely into consumer-oriented businesses, said that it had no immediate intention of making an offer for Cadbury.

City analysts said yesterday that in the current market they did not believe General Cinema, with about half the market capitalisation of Cadbury, would make a bid.

Mr Robert Brand of Wood Mackenzie, stockbroker, believed General Cinema was making an each-way bet.

"If Cadbury gets its business right then General Cinema's stake is a cheap investment. On the other hand, if Cadbury's strategy goes wrong somebody else may make a bid. General Cinema, which bottles soft drinks in the US, could use its stake as a bargaining point to get its hands on Cadbury's US soft-drinks businesses."

The City, pleased by Cadbury's 47.6 per cent increase in pre-tax profits to £63.6m in the 24 weeks to June 20 - well ahead of analysts' already optimistic projections - is prepared to listen to Mr Cadbury's story.

It is a very different one from that of 1985 when Cadbury Schweppes, formed when Cadbury merged with Schweppes in 1969, was a sitting duck for a takeover.

Takeover rumours became a chorus when Cadbury disclosed that in 1985 the group faced a 25 per cent drop in profits. The fall was largely due to a £42.5m reduction in the US, a market identified by Cadbury as vital to its future growth.

In trying to expand from its traditional markets, Cadbury had in 1978 bought Peter Paul, a confectionery business, which was to be its launch pad for its own brands into the US. Its major competitor in the UK confectionery business, Rowntree, in contrast, had concentrated on Europe as a new market. Cadbury optimistically built a new plant in Hazelton, Pennsylvania, for its brands.

To push sales in the US, Cadbury, which cockily attempted to take on Mars and Hershey, the giants of the US confectionery, had offered excess credit to food brokers - the traditional distribution network to the retail sector.

Wholesale volumes bulged, out of line with consumer demand; chocolate inventories stacked up; and Cadbury cut production and sales began to slump.

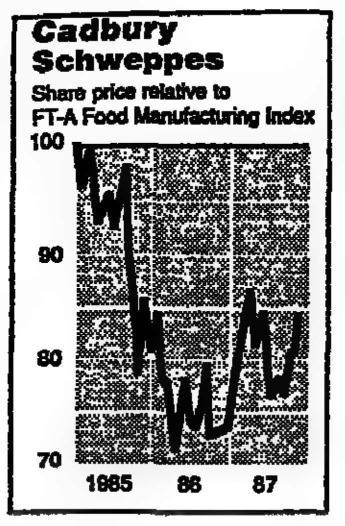
Rightly or wrongly the mistakes of the US management swelled into more general criticism of a family-run business at a time when businesses with strong brands were being identified as attractive by a number of predators.

Mr Cadbury maintained that the flurry of activity that followed was not a snap response to takeover talk but rather a considered reaction to what he found when he became chief executive.

Cadbury identified confectionery and soft drinks as the priority. Low-yielding assets were to be sold to finance development of these two core businesses. It began the disposal of a bevy of peripheral hygiene and food businesses, with brand names sold including Jeyes, Typhoo tea and Kenco coffee.

The US confectionery business was an urgent priority. A new chief executive in the US started a major rationalisation and 20 per cent of the executives were fired.

The entire US marketing strategy was re-examined with a return, at the expense of Cadbury products, to strong marketing support of the Peter Paul brands.



The strategy on soft drinks was more aggressive, with two major prongs. Cadbury, with small sales of its "mixer" soft-drinks brands in the US, had long wanted to get a chunk of the huge US soft-drinks market, worth in excess of $30bn a year. However, it feared again to take on Coca-Cola and Pepsi, the domestic giants.

The opportunity for a niche in the market came in 1986 when it paid $230m (£130.7m) for the worldwide Canada Dry and Sunkist soft-drinks businesses, put up for sale by RJR Nabisco. This gave Cadbury about five per cent of the US carbonated-drinks market but 45 per cent of the US mixer market, an area left largely untouched by Coca-Cola and Pepsi.

Three months later Cadbury continued this strategy when it bought a 30 per cent stake in the Dr Pepper company, maker of Dr Pepper, the secret formula drink which has a 7 per cent stake in the US soft-drinks market.

The moves, in a market which is increasingly global, doubled Cadbury's international sales volume to about 3.5bn litres, nearly 3.5 per cent of the international drinks market.

However, in late 1985 Cadbury announced a deal which has altered the complexion of the whole UK soft-drinks market. It entered into an agreement with Coca-Cola, the world's largest soft-drinks company, to form a joint company to handle all their soft-drinks brands in the UK. Previously, Cadbury had handled sales in the UK of Pepsi Cola.

The deal, which came into effect this year, triggered a shake-up in the fragmented and low-margin £2.5bn-a-year UK soft-drinks market, including the formation of another new company, Britvic Corona, jointly owned by leading brewers Bass, Whitbread and Allied Lyons.

The formation of Coca-Cola & Schweppes Beverages has not been without severe teething problems, with a budgeted loss in the first half year. However, with its major rationalisation of resources the business is seen by analysts as having a tremendous future in terms of profits and expanding the total market. It currently claims about 28 per cent of the growing UK market for fizzy drinks.

Mr David Shaw, of Barlays de Zoete Wedd, stockbroker, said: "In any defence document Cadbury could highlight that great potential."

However, City criticisms are reserved for the North American confectionery operations, which at the interim stage recovered from a loss to make a profit of £200,000. While Peter Paul brands have increased sales, Cadbury's are not performing as well with the Hazelton plant still operating at undercapacity.

Mr Cadbury said: "The US confectionery business is on the growth track." There were still problems but sales of Cadbury brands were growing.

He was bullish about activities elsewhere in the world, with solid profit growth from Europe and Australasia. "As far as I am concerned," Mr Cadbury said," the business is performing according to plan."

TR gets support for wind up scheme

BY NIKKI TAIT

Proposals by Touche Remnant, Britain's largest investment trust group, for the reconstruction of its £161m Pacific Basin fund, yesterday received overwelmingly support from shareholders.

They were voting on a scheme - promoted by an earlier bid from Thornton Pacific Investment Fund - to wind up the existing trust, and issue shareholders with equity in either an open-ended Guernsey-based, multi-class investment company or in a new investment trust specialising in smaller Far Eastern markets. A poll amongst shareholders showed 443 in favour, represented 36.5m shares, and only 22 (0.5m shares) against.

Replying to a question from one shareholder who suggested that the exercise might be deferred six months while stock markets stabilised, Lord Remnant - chairman of the Touche Remnant group and also of the Pacific Basin fund - said that there was "a strong body of shareholders who wished to go ahead." Although shareholder elections might change as a result of recent events, he added, the board was confident that the scheme could still be implemented and hence was still recommending it.

Between end-September and November 11, the total assets of the fund shrunk from £249m to £161m, and nav fell from 330.2p to 213p a share. It currently has £83m invested - £41m in Japan, £19m in Hong Kong and the rest mainly in smaller Far East markets - and £78m in liquid assets.

Herpes drug sales help lift Wellcome to £169m

BY JASON STEGER

Wellcome, the first pharmaceuticals group to market a treatment for Aids, lifted taxable profits by 35 per cent in the year to August 29 1987, thanks to soaring sales of its Zovirax anti-herpes drug and a turnround in its Coopers animal healthcare business.

Profits moved up from £125.3m to £169.1m on turnover ahead from £1.01bn at £1.13bn and were at the top end of analysts' forecasts.

After tax charges of £71.4m (£64m), earnings per ordinary share rose from 7.8p to 11.2p. The proposed final dividend is 2p, making a total for the year of 2.81p - up from 1.32p last time.

Mr Alfred Shepperd, chairman, said that Zovirax had retained its position as the company's top-selling medicine and increased worldwide sales from £105m to £160m. He said it had become Wellcome's first $100m product in the US.

"There is a general rising pattern for sales," he said, "and there's a lot of potential left in the drug. It is going into more territories and is being licensed for more uses. It went into Japan - a very significant market - last September."

Retrovir, Wellcome's Aids treatment which is now registered in 35 countries and on sale in 24, contributed £16m to turnover since getting its first product licence in March.

Mr Shepperd said: "We expect to receive a higher level of profit from Retrovir but as I cannot anticipate sales so I cannot anticipate profits. But we have an advancing graph."

Coopers moved into the black with profits of £5.3m on turnover of £192m compared with a loss of £9.7m on £180m last time. Mr Shepperd ascribed the turnround to "increase in turnover and a reduction in a lot of expenses, including research and development which was tackled in a different way."

Wellcome's diagnostics business upped worldwide sales by almost 33 per cent. Over the past two years sales had increased by more than 60 per cent largely as a result of the success of the company's Aids test kit.

Wellcome's total research and development expenditure amounted to £142m compared with £132.5m last time.

See Lex

Condom demand boosts LIG

BY DAVID WALLER

BUOYANT SALES of condoms helped **London International Group**, consumer products and services group, achieve a 23 per cent increase in pre-tax profits to £15m for the six months to the end of September.

Condoms still represent the only recommended form of protection against Aids and LIG sells over 500m each year, principally under the Durex brand name. Worldwide demand from consumers is growing at 20 per cent a year - and at a higher rate from retailers who are keen to stock the product as it becomes more respectable.

Such favourable market conditions helped LIG's health and personal products division increase its trading profits by 36 per cent to £8.6m, on sales up by just 16 per cent in sterling terms. Fear of Aids has also stimulated sales of surgical rubber gloves.

The home products and services division mustered profits of £7.8m (£6.7m), despite a lower contribution from businesses divested during the first half. Operating profits from the core photographic and electrical businesses rose by 22 per cent.

Royal Worcester Spode, the fine china company, fell into the red. Mr Alan Woltz, LIG's chairman and chief executive, blamed the £0.4m loss (£0.2m profit) on seasonal factors and predicted that it would make a profit in the full year.

Earnings per share rose by 24 per cent to 7.62p, and the interim dividend was increased by 17 per cent to 2.05p. The results included no contribution from HATU-ICO, Italy's leading condom manufacturer, which LIG bought for L103bn (£47m) in September.

• comment

It is easy to dismiss the threat to LIG's 96 per cent share of the UK condom market posed by Mates, a new condom launched this week by Mr Richard Branson, the pop entrepreneur. More publicity can only increase the rate of growth in a market already expanding rapidly on fears of Aids and a £20m government education programme - and in any case, sales of condoms in the UK account for only 5 per cent of total group turnover, so the impact on LIG's profits will be strictly limited. The company must be seen as a natural defensive stock, with sales of high-margin condoms rising year-in year-out until a better way of preventing Aids is discovered. The HATU-ICO acquisition seems in retrospect both well-executed and well-financed - with an issue of convertible Eurobonds on which LIG pays only a 4½ per cent coupon. Non-condom businesses are doing well, with the exception of Royal Worcester, and the group is on course for £34m in the full year. This puts the shares on a prospective p/e of 14.

Advertising lifts Thames TV

STRONG growth in advertising spending helped **Thames Television** to an 18 per cent increase in interim pre-tax profits. And Sir Ian Trethowan, chairman, said there had been further productivity gains and a significant increase in programme production in the period.

On turnover up by 13 per cent from £104.52m to £118.21m for the six months to the end of September 1987 pre-tax profits for the UK's largest commercial television company came out at £12.08m (£10.26m).

Earnings per share were 15.76p (13.32p) and the interim dividend has been increased to 4.4p (4p).

Sir Ian said that productivity had increased by the introduction of new technology, the elimination of certain restrictive practices and the introduction of a daytime schedule and transmissions through the night.

He added that the company had not been able to match the exceptional share of industry revenue achieved in the first six months of last year.

For the rest of the year he added that there were signs that the rate of growth of advertising nationally may be slowing in the short-term. It could also be vulnerable to a slackening in economy activity but there was no sign of that as yet.

Trading profit was £18.04m (£15.49m) and net income from interest and finance lease charges of £57,000 (£309,000 charge). Exchequer levy was £5.76m (£4.91m) and this time there was a share of the loss by its Starstream, Children's Channel, joint venture of £267,000.

Tax took £4.51m (£3.87m).

• comment

Some analysts were slightly disappointed with Thames' results yesterday, having forecast pre-tax profits up to £14m. Though the company's advertising revenue for the six months rose by 13 per cent to £104m, the industry as a whole showed stronger revenue growth of 15.8 per cent. Thames' market share slipped from 16.3 per cent to 16 per cent. This was coupled with higher costs - following on from its strong increase in market share last year - leading to a double squeeze. Having said that, Thames is producing 20 per cent more programmes than a year ago with less staff, it has cash on the balance sheet, export sales are 20 per cent up, and it is determined to regain the market share lost to LWT. Under consideration is running its top rating success, The Bill, as a twice weekly drama series. The shares fell 14p yesterday, closing at 279p. Assuming pre-tax profits for the full year of £28m, this puts them on a prospective p/e of about 7½.

Bank of Ireland advance

BY DAVID LASCELLES, BANKING EDITOR

The **Bank of Ireland** yesterday reported an increase of 13.8 per cent in post-tax profits for the first half of the year ending September 30, despite making a substantial provision against its lending to Third World countries.

Profits amounted to IR£32.9m (£29.6m) compared to IR£28.9m in the same period last year. But in terms of earnings per share the growth was 6.6 percent taking account of the rights issue made last July.

Bank of Ireland made a IR£23.3m provision against its IR£100m of loans to developing countries. This brought the total provision for this purpose to the equivalent of 28 per cent of these loans. However, provisions for other types of lending were down, thanks to tighter lending controls.

The bank's business in Ireland improved despite depressed trading conditions and intense competition, according to Dr Louden Ryan, the Governor, with notable performances in the investment banking and credit instalment sectors.

In the UK, the bank also had a good half year, thanks in part to improved profits from home lending where the bank bought the mortgage business of the Bank of America. The bank has a policy of raising the share of its profits earned outside Ireland.

However Dr Ryan warned that while the bank's directors are pleased with the first half's results, they view the second half with caution given the uncertainties now present in the international economy. Barring unpleasant surprises, the bank expects to pay a final dividend at last year's nominal rate which would give a total dividend for the year of 11.75p, an increase of 15.2 per cent, compared to 8.5 per cent forecast at the time of the rights issue.

R.Smallshaw doubled in first half

More than doubled pre-tax profits of £227,000 against £106,000 were reported by **R. Smallshaw (Knitwear)** for the six months ended June 30 1987.

Turnover for the Leicester-based maker of knitted outerwear and dyer and finisher of knitted garments, fell to £4.27m (£4.95m). The Castle Knitwear subsidiary, which ceased production in September, had sales of £995,000 last time and a pre-tax loss of £215,000.

After tax of £79,450 (£39,000), earnings per 10p share came through at 5.9p (2.68p). The interim dividend is maintained at 0.75p.

Christy Hunt sale

Christy Hunt, which recently merged with Deritend Stamping, has completed the sale of its surface heating business Hotfoil to Isopad International for £1.8m in cash.

The group is disposing of the assets of Hotfoil, together with its subsidiary Hotfoil Canada, and the assets of Deritend Hotfoil, signifying the end of group trading in North America.

Trafalgar takes Costain holding up to 5.4%

SHARES in **Costain**, the construction, property and mining group, jumped 17p to 251p yesterday on news that **Trafalgar House** has raised its stake from just below the disclosable level to 5.4 per cent.

The announcement of the initial stake was made - after a couple of months of accumulation - in mid-September. At the time, Trafalgar said that it was not hostile and that it had "no present intention" of making a bid. Yesterday, the company merely reiterated that the stake was "a trade investment".

Costain, meanwhile, said that it was not reading anything into the latest purchases.

Trafalgar's own shares - which have seen speculative flurries recently - rose 10p yesterday to 304p.

UK COMPANY NEWS

Eurotunnel abandons its Canadian share issue

BY RICHARD TOMKINS

Eurotunnel, the Anglo-French group building the Channel Tunnel, has abandoned plans to conduct a share issue in Canada as part of its £770m stock market flotation next week.

The company's advisers have been unable to find a replacement for Wood Gundy, the Canadian investment house which ceased to be lead manager of the Canadian tranche earlier this week.

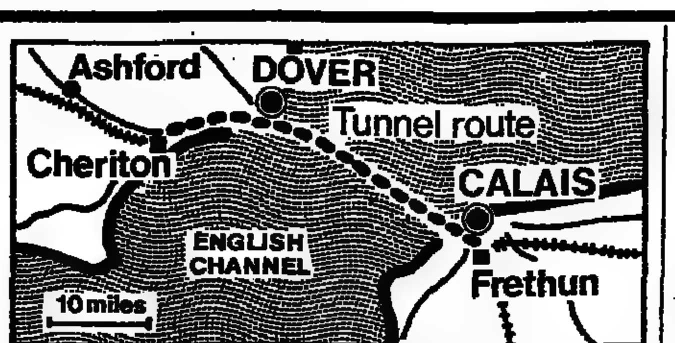
McLeod Young Weir and Dominion Securities, two other leading investment houses, are both understood to have turned the job down because of lack of demand for Eurotunnel's shares among institutional investors in Canada.

S.G. Warburg, one of Eurotunnel's UK merchant bank advisers, yesterday acknowledged that the Canadian issue had been dropped because interest in the shares was too small to make a Canadian tranche worthwhile.

It played down the importance of the development, saying that the Canadian tranche would in any case have represented only a tiny portion of the total issue. The largest tranches, of about £350m each, are due to go to the London and Paris markets.

The development nevertheless underscores the difficulties Eurotunnel's advisers have had in finding underwriters for the £770m issue. In the UK, about two in five institutional investors are believed to have turned down invitations to underwrite the share offering, partly because of the state of the stock market and partly because of the inherent risks of the investment.

However, the sharp upturn in London share prices over the past two days has given Warburg renewed confidence that the underwriting will be successfully



completed on Monday, the day the share offer is due to be launched. It also expects to go ahead with placings of the shares worth a total of £70m in other international markets - notably the US, Japan and Continental Europe.

Warburg remains confident that it will be able to place between 30 and 50 per cent of the UK tranche in advance with about 25 institutional investors. These will be payed a commission of ½ per cent for commiting themselves to the stock in addition to any 1¼ per cent commissions they may pick up as underwriters to the issue.

More than 550,000 private investors have now registered with the Eurotunnel share information office in the UK, compared with about 500,000 a week ago. Dewe Rogerson, Eurotunnel's marketing consultant, yesterday produced research conducted on November 5 and 6 suggesting that 574,000 UK adults thought they were certain to apply for the shares.

Royal Insurance disappoints City with advance to £259m

BY NICK BUNKER, INSURANCE CORRESPONDENT

UNEXPECTEDLY high weather losses in North America plus an increase in its US claims reserves meant that **Royal Insurance** fell short of most analysts' forecasts yesterday with pre-tax profits of £259m for the nine months to September 30.

The shares lost 5p to close at 383p. City forecasts for the pre-tax figure had ranged from £256m to £295m, against £193.1m in 1986.

Royal said that the October UK hurricane was likely to cost it an estimated £80m net in the fourth quarter of this year. It has no UK household catastrophe reinsurance and said it has taken no decision yet about whether to buy it in future.

Mr Alan Horsford, group chief executive, said claims could reach £55m from householders, £20m from commercial policyholders, and £2m-3m from motorists.

The biggest surprise was in the US, which made up for 43 per cent of global non-life insurance premiums of £2.42bn. Royal showed a pre-tax US profit of only £33.4m in the third quarter, against £48.6m in the same period last year.

This reflected a £3.3m increase in weather losses, an extra £4m in unspecified "large claims," and "considerable additions to reserves" for US workers' compensation and general liability business.

● comment

Royal waffled over why it had put an an extra $40m (£22.3m) or so into its US loss reserves, mainly blaming late reporting of run-of-the-mill Californian claims. Royal cannot have it both ways. If no big new US problem has come to light, then the assumption must be that Royal could have reserved more adequately in the US last year but was bringing too many dollars home to the bottom line. The other worry is that US claims costs grew 6.1 per cent in the first nine months, but commercial multi-peril price increases have tapered off to only eight per cent, and falling. Such concerns are undermining even the most optimistic forecasts of another bumper US-led profits year in '88. Assume £320m pre-tax for 1987, and the gross yield is a handsome seven per cent on a final dividend of 19p: but if Adelaide Steamship has to make a forced sale of its six per cent stake, the share price may suffer in the near-term. Royal's solvency margin is now down to 58 per cent - quite acceptable - after a net £470m drop in shareholders' funds because of the equity market crash.

Steetley to sell Canadian arm for £21m

By Philip Coggan

Steetley, the construction materials group, is selling its Canadian electrical distribution business to Montreal-based Guillevin International for C$50m (£21m). Guillevin is one of Canada's largest electrical products distributors.

The Canadian company, Steetley Distribution, made pre-tax profits of C$5m on turnover of C$150m last year. Consideration for the deal, which was first mooted in July, will be in cash.

The disposal is part of *Steetley's declared strategy* of concentrating on its international construction materials business and divesting its other interests. "This is the last substantial change in the profile of Steetley" said Mr Richard Miles, group managing director, yesterday.

Last month, the group announced the acquisition of two construction materials companies, one in France and the other in the US, for a total of around £16m.

Yale Valor chairman's strong defence of US investment

BY DAVID WALLER

Yale and Valor, the domestic appliance and locks group created in June this year when Valor quadrupled its size with the acquisition of two US companies for $460m (£258m), yesterday announced its first set of figures in its new form - and issued a strong defence of its investment in the US.

In common with many other UK companies which have bought heavily into the US, Yale and Valor's share price has been severly battered since the market crash drew investors' attention to the problems in the US economy. Yale and Valor's chairman, Mr Michael Montague, took the opportunity yesterday to say that current group trading is buoyant - and "there's not a whiff of an adverse sign" for its US businesses.

"It was the most fantastic thing to have done," he said in defence of the acquisition of Yale Securities, the locks company, and NuTone, a manufacturer of household appliances and fittings. "It created an international company at a stroke."

Some two-thirds of group profits now derive from the US. Mr Montague said that the deteriorating dollar made US industry more competitive and an increase in dollar profits would broadly offset the adverse effect on the figures when translated into sterling. "Profits for the full year will be exactly as we expected, if for different reasons."

He added that the two companies had weathered recession in the past, and would be able to do so again.

Yale and Valor yesterday reported pre-tax profits of £12.09m for the half-year to September 25 , including three month's contribution from this summer's acquisitions. This compares to £3.51m in the first half last year. Turnover was £121.83m, against £62.44m.

Earnings per share, a more realistic indicator of performance, given the substantial issue of new shares to finance the purchases, rose from 8.75p to 10.59 on a fully diluted basis. The interim dividend was increased from 1.528p to 1.8p.

● comment

Prior to June, Valor was an undistinguished gas and electrical appliances group finding it difficult to grow within the cyclical confines of the UK, and predicted a "resplendent" future when it bought Yale and Nu Tone. For a while, the City agreed, and marked the shares far higher than the 320p vendor placing price, but in the market rout, they lost more than half their value to end up at a low of 182p as investors abandoned every stock even remotely connected with the US. Mr Montague seems to suggest that the very audacity of the deal justifies it, but UK investors are not being unreasonable in being chary. Translation problems apart, it requires some optimism to argue that rapid growth in US profits can be sustained amid a recession. True, demand for Yale's locks may remain steady, but it is not clear that NuTone could withstand the inevitable contraction in new housebuilding. Up 30p to 235p yesterday, the shares are on a cautious prospective p/e of 10 if the company makes £36m in the full year.

Highgate rights wins 82.5% response

By Nikki Tait

Highgate & Job, the small loss-making chemicals producer where the Jivraj family has taken a 29 per cent stake, could claim a rare rights issue success yesterday.

Its attempt to raise £2m via a one-for-two issue at 200p a share, resulted in more than 82.5 per cent of the new shares being taken up by existing shareholders. When the issue closed on Wednesday, Highgate shares were trading at 295p; yesterday they closed at 290p.

Merger talks on

On-off merger talks between United Spring and Steel Group and Ratcliffe Industries, both spring manufacturers, have resumed, the companies announced yesterday.

Apricot up to £3m at halfway

BY MARTIN DICKSON

Apricot Computers, which plunged into losses in 1985/6, yesterday marked a further stage in its recovery when it announced a 19 per cent increase in interim pre-tax profits and a return to the dividend list after a two-year absence.

Pre-tax profits for the six months to September 30 totalled £3.02m (£2.53m) on turnover of £37.6m (£32.8m) while earnings per share worked through at 3.28p (3.10p).The interim dividend is 0.5p.

Apricot is laying increasing emphasis on growth in computer software rather than hardware and the financial software division was a major contributor to the interim advance, helped by strong sales of Quasar, an investment management package, and of bespoke software and consultancy services.Profits totalled £1.42m (£969,000) on turnover of £6.8m (£4.02m).

Apricot started a project to enhance Quasar - estimated to cost £1m - during the period and in the second half will be introducing a major new product, called Citydesk, for financial work stations. The company said it had not seen any impact on orders or sales from the stock market crash.

The computer services division, which concentrates on maintenance work, saw profits of £1.22m (£1.13m) on sales of £3.05m (£2.3m). Computer systems, the hardware side of the business, produced profits of £378,000 (£1.2m) on sales of £23.3m (£22.7m). Profits in the first quarter were hit by delays in shipment of the 386 micro computer and VX multi-user system, but the second quarter saw much better results.

Ailsa considering unitisation

Shares in **Ailsa Investment Trust**, which is managed by J. Rothschild Investment Management, rose 19p to 147p yesterday as the company annouced that it is actively considering "proposals including the possible unitisation of the company." As with any unitisation - the conversion of an investment trust into one or more unit trusts - this would aim to allow shareholders to realise their shares at close to net asset value.

AIC stake in Wills 80% after offer

Australian Investors Corporation received acceptances on behalf of 4.59m shares (50.8 per cent) for its 190p-per-share offer for the Wills Group, the financial services and import company. Adding in shares it owns, this brings AIC's stake to 80.4 per cent.

However, AIC wants to keep Wills' listing and, accordingly, has placed 1.77m shares (19.6 per cent) with institutional and other investors at 190p a share.

Great Southern buy

Great Southern Group, funeral director, has acquired H.J. Knapp of Wantage, Oxfordshire for £360,000 in cash. Knapp is the sixteenth funeral business that Great Southern has purchased in the past eight months, increasing its total number of branches by 20 to 113.

The Knapp acquisition includes freehold property worth £200,000 and ties in closely with the group's existing businesses in Reading, Abingdon and Newbury. Negotiations for further purchases are in progress.

Excalibur purchase

Excalibur Jewellery is to acquire Pic-A-Tape for an initial £1.2m in cash. A further £1.3m maximum is payable dependent on pre-tax profits in the current year.

Pic-A-Tape specialises in the distribution and merchandising of pre-recorded cassettes, compact discs, photographic films and leisure-related products to UK retail outlets. Its 1986-87 pre-tax profits amounted to £200,000 (£108,000).

GT Venture pulls out of portfolio purchase

BY CLAY HARRIS

GT Venture Investment, the venture capital company floated in September, has pulled out of negotiations to buy the unquoted company portfolios of three trusts, Berry, USDC Investment and Northern Securities, managed by the GT financial services group.

GT Venture said yesterday it had been outbid for the portfolios, valued at about £21m, but that its final offer in a sealed-bid auction reflected the lower attraction of the assets in the wake of the market crash. Although the underlying investments remained the same, the prospects for early quotation had receded, said Mr Rhoddy Swire, GT Venture director.

The proceeds of the company's flotation, now worth £11.6m, remain invested in cash and short-term instruments.

Aitken Hume expansion

BY DAVID WALLER

Aitken Hume International, the financial services group which earlier this week bought the Guernsey-based Bachmann group for £8m, is to acquire some of the financial services business currently handled by IMG, the sports promotion company established by Mr Mark McCormack.

In exchange for the issue of 1m warrants in Aitken, IMG has undertaken to transfer some but not all the offshore banking and fund management activities currently undertaken for its wealthy clients, and certain corporate administration activities, all of which will be handled by Bachmann.

IMG's warrants entitle it to buy shares in Aitken at 120 at any time before 1992.

NMC profits 46% ahead

NMC Investments, packaging, property and finance, increased pre-tax profits by 46 per cent from £1.98m to £2.89m in the six months to end September with its packaging divsion showing an advance of 25 per cent and property and finance almost trebling it contribution from £267,000 to £751,000.

After tax of £1.01m (£692,000) earnings per 12½p share emerged at 5.01p (3.54p).The interim dividend is increased from 0.5p to 0.7p. The results of Bux Corrugated Containers and the Barker Group,both acquired in December 1986, have been included for the six months and for the corresponding period in accordance with merger accounting principles.

Mr Norman Gordon ,chief executive, forecasted that the outcome for the full year would show a sigaificant improvement

UK COMPANY NEWS

Steven Butler on how the crash has affected a market high-flier

Abaco tries to rally the troops

ON WEDNESDAY evening last week Abaco Investments, the fast-growing financial services group, held a celebration in Manchester.

Provincial Trust, which is based in the city and which Abaco acquired three years ago, had just graduated from a licensed deposit taker to a fully-fledged bank.

It was indeed an occasion to celebrate. The bank's loan book has quadrupled in three years, and profits have zoomed up from £60,000 to £600,000.

The turnaround for the bank, *which is just a small part of the* growth story of Abaco, was good enough news that the plunge in Abaco's share price in the past three weeks hardly dented the evening's good cheer, which carried on past midnight in the city's discotheques.

Abaco's shares fell from a high of 123p on October 8 to a low of 40p, making the group one of the worst performing financial stocks since Black Monday.

The company's prospective earning ratios tumbled from a rather heady figure in the 30s to single digits. However, the shares have risen somewhat during the rally of the past few days, to close yesterday at 59p,up 7p.

The performance of the shares has sent Mr Cameron Brown, managing director, scurrying round the country to try to talk up the company and prevent morale from sagging.

Abaco's underlying business has never been stronger, Mr Brown told the Provincial Trust employees at the Manchester meeting. The business was not directly affected by the crash in the market. The group's loss adjustors had had "Christmas in October" after the storms that had swept south east England. Abaco was well set to weather any economic storms that may (or may not) be brewing.

"The fall in share prices may even push the investment houses back into commercial property," he said. That could be a boon to the group's commercial estate agencies.

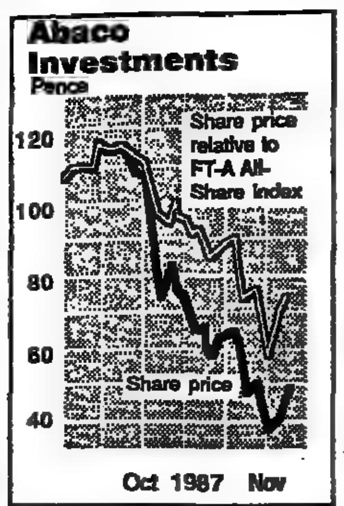
"The fall in the share price doesn't mean a thing," said Mr Tim Razzall, chairman. "It is just computers selling back and forth to each other."

Abaco, described by one merchant banker as the "classic bull market stock," was born in 1983 when Greencoat Properties was taken over as a shell.

Abaco began issuing paper to buy firms of fee-earning professionals - estate agents, loss adjus*tors, insurance brokers, morgage* brokers.

The businesses are strongly cash generative and offer strong potentials for organic growth. Yet Abaco cannot continue to expand at the same pace with its share price so ravaged. Several acquisitions, some very near to completion, have been frozen in the pipeline.

Abaco has another problem.



Most of its employees hold unexercised share options and have watched these plunge in value along with the market. Mr Brown, personally, has seen the value of his own accumulated share options drop sharply in value.

Although share options are meant to be an incentive in addition to normal salary and other benefits, Abaco also has a significant number of employees with a large amount of their personal wealth tied up in the company's shares. These are *former* members of professional partnerships who sold out their businesses to Abaco in exchange for a mixture of cash and shares. Abaco boasts - or at least did boast - of some 70 millionaires on its payroll.

Mr Brown's answer is straightforward — that he and other employees should be in *Abaco* for the long run and that his confidence in the future of the business and the underlying strategy has not wavered.

Like many other company directors these days, he feels cheated by the market, and baffled by the trading system.

"The truth is that you could not have sold Abaco shares at 126p, and you cannot buy them at 40p," he says. "Neither price is realistic."

On the day of the Manchester meeting he was shocked when Abaco shares fell by 40 per cent in a few hours, just before he would have to face his employees.

A call to his broker produced the information that when a block of 300,000 shares was offered for sale, worth some £180,000, market makers slashed the price down and in the process lopped £50m off the company's market capitalisation.

If equity markets recover some of their composure, and their liquidity in small company shares, the past few weeks may be a brief, if nerve-wracking, blip on Abaco's development.

If not, Abaco may just have to accept a lower rate of growth, and may have to turn to other instruments besides new share issues.

Bellway surges by 73% to £7.8m

Bellway, north-east based housebuilder, increased pre-tax profits by 73 per cent from £4.5m to £7.8m in the year to July 31 1987 on turnover up from £73.22m to £84.28m. The comparisons are restated.

Earlier this year Bellway acquired D.F.W. Golding, an Essex-based private housebuilder, for £49.93m. As a result of the acquisition, 50 per cent of Bellway's housing activities are in the south of England.

After tax of £2.74m (£1.37m) and an extraordinary debit of £250,000 (nil), earnings per 25p share increased to 20.8p (15.5p).

There is a final recommended dividend of 5p (4.5p) making 8p (7.5p) for the year.

The directors said the current sales position was encouraging and the company looked forward to the future with confidence provided that the "present turbulence" on world stock exchanges had no significant effect on the housebuilding market.

There was an operating profit of £8.51m (£6.79m) and the share of profits of related companies rose from £4,000 to £550,000.

Oxford Instruments £2m lower than City hopes

LOWER PROFITS from **Oxford Instruments Group** had been forecast because of the downturn *in activity of MRI (magnetic resonance imaging)*. But the downturn in the first six months ending September 27, from £8.51m to £4.58m, was some £2m worse than City expectations.

Nonetheless, the share price improved following an optimistic statement by Sir Austin Pearce, the chairman.

Sir Austin reiterated the reasons for the setback - that due to rationalisation within the diagnostic imaging industry, new product introductions and slower growth in the market. MRI shipments were about half those in the comparable period. But he reported that order books were full and was optimistic that the trading performance would improve in the second half.

Profits in both instruments for scientific research and patient monitoring advanced strongly *and after a slow start* the performance of the analytical instruments actvity has been improving.

Turnover in the period fell from £47.79m to £38.4m and the operating profit tumbled £4.27m to £3.83m. Tax took £1.55m (£3.12m) for earnings of 6.3p (11.7p) per 5p ordinary.

The interim dividend is raised from 0.8p to 0.9p.

● comment

Investors puzzled by the recent gyrations in the stock market must be scratching their heads at Oxford Instruments; on results below expectations, the shares climbed 10 per cent. The answer lies partly in the mention of full orders for MRI magnets in the second half; partly in the possibility of a bid, given credibility yesterday by the board's request to shareholders to allow it to buy back shares if necessary; and partly in the almighty tumble which Oxford's shares have *taken over* the past year. That decline shows how a wonder product can be a mixed blessing. Although the MRI magnets offered fantastic profits growth for several years, the decline in demand has obscured the progress *in Oxford's other product* areas. Those should help boost the second half figures but full year profits are unlikely to be higher than £14m, compared with £19.7m last year - putting the shares, at 192p, on a prospective p/e of around 10.

Tie Rack expands by 77%

BY ALICE RAWSTHORN

Tie Rack, the tie retailer which went public this summer in one of the most expensive flotations ever staged on the London stock market, yesterday unveiled a 77 per cent increase in pre-tax profits to £281,000 for the first half of the financial year.

The Tie Rack flotation in June was heavily over-subscribed. The company has pocketed a profit of £414,000 from the interest made on the applications for its shares. This is expressed as an extraordinary item.

Tie Rack has expanded rapidly since the start of the financial year. It has opened 15 new shops in the UK and 22 units overseas, bringing the total number of outlets within the group to 152.

In the 28 weeks to August 16, group turnover increased by 63 per cent to £9.5m. The growth in sales for "established" shops, those that have been open for at least a year, was rather lower at 9 per cent.

The pattern of trading during the first half was affected by the opening of a new central warehouse - the cost is expressed as an exceptional item of £64,000 - which disrupted deliveries for ten weeks or so. Mr Roy Bishko, chairman, said that the flotation had also imposed pressure on the senior management team.

Tax amounted to £80,000 in the first half. Earnings per share rose to 0.43p (0.37p). The board proposes an interim dividend of 0.365p.

In the future Tie Rack intends to expand both in the UK and overseas. Its international operation made a loss in the first half of the year but is expected to make a modest profit in the second half.

Mr Neil Fairley has been recruited from the Next retailing group as managing director of Tie Rack's operations in the UK. The management team will be further strengthened over the next few months.

The chairman said that trading in the second half is faring well. This is traditionally the strongest sales period for the group, given that it benefits from pre-Christmas sales and from the new store openings of the first half.

J Foster interim profit

THE OPTIMISM expressed at the end of last year by **John Foster & Son** was supported by the interim results with large increases on both turnover and pre-tax profits.

Profit in the six months to August 28 for the worsted and mohair spinner and cloth manufacturer which has its headquarters at Black Dyke Mills, Bradford was £766,000, against a loss of £467,000 last time and a profit of £507,000 for the whole of the previous year.

Turnover was up 44 per cent at £12.27m (£8.51m). *Earnings* per 25p share were 7.9p (5.8p losses) and the interim dividend has been increased from 1p to 1.5p.

The company said that the result had been helped by improvements in production and quality and a significantly higher level of activity.

There had been increased sales of the high quality mohair and worsted cloths to all markets and positive progress in all aspects of the company's activities.

Tax took £50,000 (£35,000) to give a profit for the period of £716,000 against a loss of *£632,000 when there was an* extraordinary charge of £130,000.

Gleeson advances 15%

THE OPTIMISTIC stance taken at the midway stage by directors of **M.J. Gleeson**, housebuilder, civil engineer and property investment group, has been followed by a 15 per cent expansion in pre-tax profits from £5.66m to £6.49m in the year to end-June.

Turnover rose to £92m against £77m last time. After a reduced tax charge of £1.06m (£2.15m), earnings per 10p share worked through at 54.30p (35.07p).

The final dividend is raised to *4.8p (4.26p) making 6.66p* (5.91p) for the year.

The directors stated that, judging by the group's order book, existing higher levels of output would be maintained in the contracting and private housing operations. Profits would benefit from substantial increases in rents receivable, but financing of higher stock and work in progress would result in reduced liquidity and a consequent downturn in receivable bank interest.

BOARD MEETINGS

TODAY

Interims- Abertoyle, Cass, William Cook, Hobson, Sonic.

Finals- Barton Transport, Peckerty Group.

FUTURE DATES

Interims-	
Belhaven	Dec 15
Cable and Wireless	Nov 25
Chamberlain Phipps	Nov 23
Dee Corporation	Dec 8
Dwek Group	Nov 18
Erskine House	Nov 24
Jarvis Porter	Dec 3
Osborne and Little	Dec 7
Personal Assets Trust	Nov 20
Readicut International	Nov 24
Tricoco	Dec 16
Woodchester Investments	Nov 19
Finals-	
none announced	

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fnac

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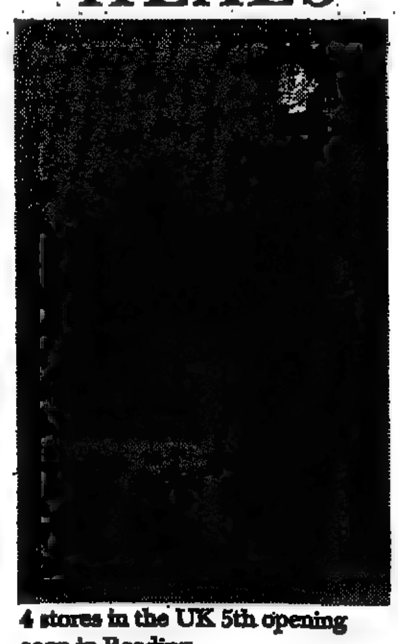

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Feeding the Soviet hunger for efficiency

Nancy Dunne explains why a US marketing group is anxious to assist Moscow's drive to restructure its agriculture

THE FERMENT over restructuring is visible everywhere in the soviet union, says Dr Erick Erickson, international director of operations at the US Feed Grains Council.

From the clowns in the circus to the new co-operative pizzeria, which is just learning to produce proper western pizza, the excitement is almost palpable.

In the agriculture sector, Soviet officials are working furiously to expand production through the "brigade contract system," which offers output bonsues to family groups on state-owned farms.

"There is a new openness in which people are discussing their needs," Dr Erickson says.

All of this well suits the Feed Grains Council, which has needs of its own. For years it has sought to boost US farm product sales to Moscow and now it is moving in nimbly as "an adviser in areas of mutual interest," to tempt the Soviet hunger for American agricultural technology.

It is a delicate business, Council officials say, because the Soviets tend to resent offers of "help". So Dr Erickson prefers to talk of "servicing them as customers" in the same way that the Council services potential customers for US feed grains all over the world.

The Council, a private group which receives millions of dollars in US government funds for "market development," has long hankered after the massive Soviet market. It launched its first activities there early in the last decade, when its staff visited the country to promote beef feedlot and feeding development.

Mr Darwin Stolte, the Council's president, made important contacts in the Soviet agriculture ministry, when he served on the US-USSR Trade and Economic Council in the mid-1970s.

Progress in relations came to a halt in 1979 with President Jimmy Carter's partial grains embargo, followed by the icing up of relations under the Reagan Administration. In 1985, when the US seemed again ready to do business with "The Evil Empire," Council officials were happy to return to Moscow and begin the process of repairing relations.

Other trips followed, and now the Council and Gosagroprom, the Soviet agriculture ministry, are on the verge of signing a five-year co-operation agreement.

Council officials say the Soviets' own goals of improving livestock production, will result in higher demand for feed grain imports

Although soviet imports of coarse grains have, for the most part, declined dramatically since 1980 as domestic production has risen, Council analysts believe that weather, transporation problems and economic factors will require Moscow to remain a major importer. They point to projections by Wharton Econometrics that Soviet coarse grain imports, having bottomed out last year at 13m tonnes, will rise slowly but steadily to 14.1m tonnes in 1992.

The Council says that Soviet officials believe computers offer solutions to their problems. They are hoping to developing a centralised system to monitor production and are in the market for a wide variety of monitoring and sensing equipment for tractors, combines and feeders to provide them with a daily accounting of production and imports.

In a complete "electronisation" of Soviet agriculture, they plan to develop extensive local networks that would hook into regional and national computer systems.

The Feed Grains Council worked with the US information agency on a recent seminar, where, said Dr Erickson, Soviet scientists and professors were enthralled by demonstrations of computer use by american farmers. The scheduled 2½-day session ran overtime.

After the Ministry ran into trouble last may with revelations of mismanagement, the Council began a co-operative programme to investigate methods of feed quality control. Plans call for visits by various American consultants or for Soviet team visits to the US.

Mr Darwin Stolte: contacts in Agriculture Ministry

Nymex studies oil joint venture with London's IPE

BY DEBORAH HARGREAVES IN CHICAGO

BOARD of the New York Mercantile Exchange will meet on December 9 to consider a proposed joint venture with London's International Petroleum Exchange, Nymex officials disclosed this week.

The proposed venture would involve setting up a new exchange in London, explained Ms Rosemary McFadden, the Nymex president. The New York exchange would have a majority holding in the venture.

The aim initially would be to extend the trading hours of Nymex's successful West Texas Intermediate crude oil contracts, but other products could also be traded, Ms McFadden said.

Nymex has been seeking a way to expand its crude oil trading hours for some time and trading WTI futures and options in London would provide an early morning market for New York brokers. IPE members would also have access to the contract through a series of trading privileges.

At the end of the day, all trades would be cleared by Nymex's clearing operations.

However, the move could pose some tricky questions for regulators on both sides of the Atlantic. Regulatory red tape has delayed several previous attempts by US exchanges to move into London.

Nymex is confident that the venture could move ahead in the next six months to a year if it receives approval. The exchange's board is also looking at a proposal to extend trading hours in New York rather than move to London, although initial responses favour a move overseas.

The move to expand trading hours comes at the request of the international oil industry, according to Nymex officials. However, US oil industry executives appear less than enthusiastic. One commented this week that some 80 per cent of the US oil industry would be against the extended hours.

Mr Chris McCormack, a Nymex trader with E.D. & F. Man International, points to the industry's fears about losing its grip on oil pricing. The US industry is still hesitant about using the futures market as a basis for pricing and a move to create a more international futures market would take pricing control even further out of their hands.

"I spend long enough staring at my screen," one US refiner said. "When the market is closed, I have plenty of other things to do."

However, the IPE, which has had only limited success with its own crude oil futures contract, is eager to have access to Nymex's busy contracts.

At the same time First Chicago, the banking group, is involved in talks in London on developing a petroleum clearing house for the Brent crude oil market. The company says it expects to make an announcement in the next month.

Ferruzzi bitter over ethanol

BY ALAN FRIEDMAN IN MILAN

FERRUZZI, the Italian agro-industrial group, reacted yesterday with bitterness at the decision taken by the European Commission on Wednesday to abandon a plan to subsidise the production of bio-ethanol as an alternative fuel. The ethanol plan would have seen grain and sugar-beet surpluses utilised to manufacture ethanol, a petrol additive.

An official at Ferruzzi group headquarters in Ravenna last night described the decision as "a great occasion for European agriculture that has been lost." The company's communique stressed that the ethanol plan had the backing of the agriculture ministers of Italy, France and West Germany and said that in shelving the ethanol idea the Commission had "avoided the risk of grave differences at the political level."

Ferruzzi heaped blame upon energy companies who had lobbied against ethanol, singling out Prof Franco Reviglio, president of Italy's ENI state energy group. Prof Reviglio was accused of having led the battle against ethanol and of lobbying with other energy groups "which deployed all their pressure."

Ferruzzi concluded by saying that, apart from "certain isolated incidents in bad taste," the discussion of ethanol in Brussels had been "generally useful." The Italian company said it would continue to offer to the Commission its ideas.

Dollar fall worries coffee producers

THE ORGANISATION of African and Malagasy Coffee Producers is concerned over the recent fall in the value of the dollar, the currency in which much coffee is priced on international markets, **Reuter reports from Lome.**

The group of mostly French-speaking producers said at the end of a two-day meeting in Togo that it was concerned by the unbridled fall in the US dollar, in which coffee is widely traded, and wished that selfishness in industrial nations would give way in this domain to greater co-ordination and real mutually-beneficial international cooperation."

The meeting of the organisation's marketing directors concentrated on formulating a common strategy for sales policies in a weak market.

Delegates noted that prices remained below the target level of between 120 and 140 cents a lb agreed upon in October by the International Coffee Organization despite the reintroduction of export quotas. The ICO's 15-day composite indicator price for November 11 was 113.29 cents a lb.

There had to be rigorous implementation of ICO sanctions against those member producers who sold coffee to non-members of the International Coffee Agreement at a discount, they said.

Indonesia concerned over rice supplies

BY JOHN MURRAY BROWN IN JAKARTA

CONCERN IS deepening over Indonesia's ability to maintain self-sufficiency in rice, one of the major achievements of President Suharto's development-oriented government. A prolonged drought in the main growing area of Java has damaged or totally destroyed 343,000 hectares of paddy, according to figures from the Agriculture Ministry.

Mr Johannes Sumarlin, Minister for Development Planning, told Parliament this week that the Government had no plans to export rice this year. His statement followed reports that Indonesia would offer a rice loan to Fiji, after the successful conclusion last week of a trade mission to Suva by Indonesian officials.

Indonesia is also believed to be completing negotiations for a 100,000 tonne rice loan with Vietnam, where farmers have faced bad harvests this year. Since reaching self-sufficiency in 1984, Indonesia has ruled out rice exports following an understanding with Thailand, previously its main source of imports.

Attention has recently turned to the high cost of maintaining rice targets, given the increase in the fertiliser subsidy and the cheap credits offered by state banks. In its latest confidential report, the World Bank argued for a reduction in the subsidy which for all crops cost Rp 365bn (£124m) last year. The subsidy on pesticides cost another Rp 42bn.

Last November the Government issued a blanket ban on 57 brands of pesticides. In their place it introduced a radical and untried variety called Applaud, in a bid to eradicate the brown plant hopper disease, and in the process made substantial foreign exchange savings. As a result, however, farmers turned paddy over to other crops with the loss this year of 1m tonnes of production, according to figures from the Agriculture Ministry.

Total rice production for 1987 is forecast to reach 27.2m tonnes, enough to feed the country's 170m people. In an apparent bid to ensure the target is achieved next year, the Government last year pledged to raise rice prices from 1988 by 13 per cent.

Copper upsurge gives Zambia breathing space

HIGH PRICES for Zambia's main export, copper, will provide a welcome breathing space for the country's battered economy as it struggles out of recession, according to government officials, **Reuter reports from Lusaka.**

But economic analysts here cautioned that the price boom could provide temporary relief only and might even delay much-needed efforts to diversify the economy away from its dependence on copper.

Government officials were jubilant over the surge in copper prices.

Copper cash metal prices in London on Wednesday touched a record high of £1,540 a tonne.

"How can we be sad? ... This improves our bargaining position," said Mr Caleb Fundanga, permanent secretary at the Finance Ministry.

The price boom would be a welcome boost to a new economic recovery programme unveiled by the government in August which included proposals to make the country's strategic but ailing copper industry more profitable.

The plan, introduced after Zambia's decision to abandon an International Monetary Fund economic programme on May 1, is based on an official projection that copper production will reach 470,000 tonnes a year and that the price of copper will remain steady at about £900

Miners have returned to work at Cuajone, a major mine of Southern Peru Copper Corporation (SPCC), and at its Ilo smelting plant, after receiving a 73 per cent pay rise, **Reuter reports from Lima.**

An agreement to end the strike at SPCC's other major mine, Toquepala, has still not been reached, the company said.

The 480 metallurgical workers at the Ilo smelting plant returned to their jobs on Thursday after a week-long strike.

Tin stocks still falling

PRIMARY TIN consumption continued to outstrip production in the first half of 1987, International Tin Council (ITC) statistics show, **reports Reuter.**

World production totalled 72,100 tonnes against consumption of 84,700 tonnes. These figures compare with 77,300 tonnes output and 82,700 tonnes consumption in the same period of 1986.

ITC world figures exclude certain countries, such as the USSR and China, which do not publish statistics.

Brazil discovers biggest offshore oil field

PETROBRAS, the Brazilian state oil company, has discovered a giant offshore oil field in the Campos Basin, Brazil's richest oil-producing region, **AP reports from Rio de Janeiro.**

The new field, located 173 miles from Rio, is thought to hold between 1bn and 1.5bn barrels of petroleum.

Mr Wagner Freire, director of production at Petrobras, said a test well produced 3,000 barrels a day of fairly heavy oil. The well was drilled in 3,700 feet of water, and oil was found at 3,900 feet.

Petrobras said the well is eventually expected to produce 10,000 barrels a day, the highest output of any Brazilian offshore well.

The offshore fields in the Campos Basin account for about 60 per cent of Brazil's oil production, which totals 612,000 barrels a day. The country imports about 45 per cent of its petroleum.

Cloves sales setback for Zanzibar

BY PHILIP SMITH IN DAR ES SALAAM

INDONESIA'S failure to buy 3,000 tonnes of cloves from Zanzibar has cut the island's predicted export earnings in the 1986/87 season, according to agricultural officials on the island.

The autonomous island exported 4,025 tonnes of cloves this season worth $15m, but had hoped to ship 10,000 tonnes, an agricultural official said. In the previous 1985/86 season 2,620 tonnes were exported, worth $11m. Cloves exports account for over 90 per cent of Zanzibar's foreign exchange earnings.

Singapore purchased around 90 per cent of this season's export of the spice, following Indonesian withdrawal from the market. The Netherlands, India and Thailand purchased small amounts.

In the 1987/88 season, both Zanzibar and Indonesia are expecting lean harvests with the island's top estimate put at around 3,000 tonnes, well down on the 12,500 produced last season.

However, agricultural officials say that the fall and supply could lead to an upturn in the depressed world cloves market

Venezuelan bauxite find

BY JOSEPH MANN IN CARACAS

THE VENEZUELAN Government has discovered large new deposits of high-grade bauxite and iron ore in Bolivar state, according to a report published in Caracas.

The report said that the CVG, a Government-owned regional development agency, recently identified new deposits of bauxite, estimated at over 100m tonnes, and of iron ore believed to total more than 200m tonnes. Both discoveries were made in Bolivar state's Piar district, and it is likely that they will be developed by the CVG.

Venezuela already exploits large deposits of iron ore and bauxite in this same region. It mines iron ore for its home steel industry and for export, and is developing a large bauxite mine to supply the domestic aluminium industry.

US markets

We apologise to our readers for the omission of the New York and Chicago commodities tables from our early edition yesterday. This was due to a computer fault.

WORLD COMMODITIES PRICES

INDICES

REUTERS (Base: September 18 1931 = 100)

	Nov 11	Nov 10	month ago	year ago
	1676.4	1656.9	1681.3	1515.8

DOW JONES (Base: September 18 1931 = 100)

Spot	124.65	126.26	127.62	121.11
Futures	129.27	129.34	133.40	120.43

LONDON MARKETS

COPPER PRICES on the London Metal Exchange went into retreat yesterday and lost most of Tuesday's and Wednesday's gains. Lending - selling cash and buying forward - was reflected by a narrowing of the cash premium over three month metal by £70 to about £200 a tonne. Dealers noted however that the contuing extreme tightness in immediately available supplies of copper encouraged keen borrowing (buying cash meal and selling forward) against the one month metal. The forward market was unsettled by heavy overnight Far Eastern profit taking following a sharp fall from eight-year highs in New York. In contrast zinc prices continued their firmer trend helped by tightness of supply in north America, recent Chinese physical purchases, industrial problems in Peru - third-largest of the Western world's zinc producers - and strike threats at the Asturiana mine in Spain. There was speculative buying and shortcovering which took the price higher in morning trading. The price for cash metal rose £10.50 to £479 some £27.50 higher than a week ago. Aluminium prices moved irregularly against a background of sterling-dollar rate fluctuations, dealers said and closed more or less unchanged. Currency considerations also affected cocoa prices which were cushioned by sterlings fall against the dollar.

LONDON BULLION MARKET

Gold (fine ounce)

	$ price	£ equivalent
Close	463¼-463¾	262-262½
Opening	463-463½	260½-261
Morning fix	463	261.848
Afternoon fix	462.45	262.577
Day's high	464¼-464¾	
Day's low	461¾-462¼	

Gold & Platinum Coins

	$ price	£ equivalent
US Eagle	477-482	269½-273
Mapleleaf	477-482	269½-273
Krugerrand	463-466	261½-265¾
1/2 Krug	240-249	136½-141½
1/4 Krug	119-127	67¾-72¼
Angel	471-476	268-270¼
1/10 Angel	47-52	26¾-29½
New Sov.	109-110	61½-62¼
Old Sov.	108-110½	61½-62½
Britannia	477-482	269½-273
Noble Plat	506-516	284¾-290

Silver (fine ounce)

	UK pence	US cts equiv
Spot	375.50	664.10
3 months	383.70	676.00
6 months	391.55	687.60
12 months	408.50	714.70

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Nov	Oct	Nov

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1550	111	84	56	64
1575	97½	72	69	76½
1600	86	61	81	90

Copper (Grade A)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2050	182	137	98	166
2100	155	117	121	195
2150	131	98½	146	226

Copper (Grade A)	Calls		Puts	
Strike price £ tonne	Jan	Mar	Jan	Mar
1175	70		35	
1200	56½		46	
1225	44½		59	

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 2,000 tonne
Cash	1610-30	1610-20		1640-50		
3 months	1590-600	1605-15	1620/1600	1605-10	Unquoted	2,551 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 18,925 tonne
Cash	907-9	905-8	916/915	914-5		
3 months	890-1	890-1	906/888	895-6	902-3	65,253 lots
Copper, Grade A (£ per tonne)						Ring turnover 39,675 tonne
Cash	1355-65	1465-75	1430/1365	1428-30		
3 months	1163-4	1203-4	1192/1160	1188-9	1176-8	86,113 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1325-35	1420-50		1390-400		
3 months	1148-52	1170-90		1170-7		37 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	662-6	655-9		656-60		
3 months	674-8	667-71		668-72	674-8	591 lots
Lead (£ per tonne)						Ring turnover 9,900 tonne
Cash	355-7	345-7	357.5/357	356.5-57		
3 months	338-8.5	330-1	341/334	338-8.5	339-40	12,561 lots
Nickel (£ per tonne)						Ring turnover 972 tonne
Cash	3270-80	3280-5		3235-45		
3 months	3250-60	3240-5	3258/3220	3215-20	3255-60	8,117 lots
Zinc (£ per tonne)						Ring turnover 12,225 tonne
Cash	478.5-9.5	468-9		477-9		
3 months	482-2.5	471-2	480/473	481-1.5	486-7	14,581 lots

SPOT MARKETS

Crude oil (per barrel FOB December)		+ or -
Dubai	16.50-16.60	+0.075
Brent Blend	18.00-18.05	+0.055
W.T.I. (1 pm est)	18.97-19.02	+0.10
Oil products (NWE prompt delivery per tonne CIF December)		+ or -
Premium Gasoline	182-184	+1
Gas Oil	164-165	+1
Heavy Fuel Oil	91-92	-1
Naphtha	157-159	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$463.50	+1.25
Silver (per troy oz)♦	375.50p	+12.20
Platinum (per troy oz)	$490.00	+0.50
Palladium (per troy oz)	$109.00	+1.00
Aluminium (free market)	$1650	+40
Copper (US Producer)	112.50c	+6.00
Lead (US Producer)	42.00c	
Nickel (free market)	270c	-8
Tin (European free market)	£4025	+65
Tin (Kuala Lumpur market)	17.54r	+0.04
Tin (New York)	328.50c	
Zinc (Euro. Prod. Price)	$820	
Zinc (US Prime Western)	48.375c	
Cattle (live weight)†	100.38p	-0.04*
Sheep (dead weight)†	189.14p	-5.90*
Pigs (live weight)†	75.41p	-0.77*
London daily sugar (raw)	$190.60x	-0.40
London daily sugar (white)	$195.00x	-0.50
Tate and Lyle export price	£214.00	+1.50
Barley (English feed)	£108.00	
Maize (US No. 3 yellow)	£131.25	
Wheat (US Dark Northern)	£90.00y	
Rubber (spot)♥	62.25p	+1.00
Rubber (Dec)♥	63.75p	+0.75
Rubber (Jan)♥	63.75p	+0.50
Coconut oil (Philippines)§	$465.00x	
Palm Oil (Malaysian)§	$370.00	
Copra (Philippines)§	$320.00y	+5.00
Soyabeans (US)	$137.50	+1.00
Cotton "A" index	74.30c	-0.20
Woollops (64s Super)	490p	-8

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lbs. r-ringgit/kg. w-Dec/Jan. x-Nov/Dec. y-Dec. z-Jan/Feb. † Meat Commission average fatstock. * change from a week ago. ♥ London physical market. § CIF Rotterdam

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	165.00	164.00	166.25 164.50
Jan	163.00	162.75	165.25 162.75
Feb	160.75	160.00	162.75 160.50
Mar	158.00	157.50	160.00 158.00
Apr	157.00	156.00	

Turnover 5288 (4357) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1220.5	1231.0	1230.0 1218.0
Apr	1243.0	1253.5	1255.0 1243.0
Jly	1110.0	1125.0	1120.0 1110.0
BFI	1170.5	1172.5	1170.5

Turnover 177 (96)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	110.50	110.10	110.50 110.25
Jan	112.75	112.30	112.75 112.40
Mar	114.75	114.10	114.75 114.20
May	116.90	116.40	116.90 116.50
Jly	119.65	119.15	119.65 119.40
Sep	102.70	102.70	102.70 102.70
Nov	104.40	104.60	104.40 104.40

Barley	Close	Previous	High/Low
Nov	104.75	104.65	104.75 104.50
Jan	107.40	107.00	107.40 107.05
Mar	109.40	109.10	109.40 109.35
May	111.25	110.85	111.25 111.05
Sep	99.00	99.00	99.00 99.00
Nov	101.00	101.00	101.00 101.00

Turnover: Wheat 300 (101), Barley 101 (37) - lots of 100 tonnes.

COCOA £/tonne

	Close	Previous	High/Low
Dec	1124	1125	1126 1120
Mar	1156	1164	1160 1156
May	1177	1184	1179 1174
Jly	1199	1202	1201 1196
Sep	1218	1221	1218 1215
Dec	1241	1244	1242 1240
Mar	1266	1269	1265 1264

Turnover: 2593 (5347) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for November 11: 1464.37 (1451.81). 10 day average for November 12: 1459.09 (1456.51).

POTATOES £/tonne

	Close	Previous	High/Low
Nov	100.0	90.0	
Feb	102.0	102.0	102.0 102.0
Mar	92.0	92.0	90.0 90.0
Apr	151.8	157.9	159.5 151.0
May	165.5	171.0	172.2 165.6

Turnover 1006 (659) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	135.30	134.50	135.00
Feb	135.00	134.50	135.00
Apr	134.00	133.50	
Jun	124.50	124.00	
Aug	123.50	123.00	
Oct	124.50	124.00	
Dec	126.00	126.00	

Turnover 127 (82) lots of 100 tonnes.

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	169.40	169.00	169.80 169.00
Mar	174.60	175.00	176.20 174.40
May	175.00	175.00	176.20 175.00
Aug	175.00	175.20	175.40 175.00
Oct	175.20	176.00	176.60 175.20
Dec	177.40	178.00	177.80 177.60
Mar	182.00	185.00	0 0

White	Close	Previous	High/Low
Dec	198.50	199.00	199.00 198.00
Mar	204.50	205.00	205.00 203.00
May	209.00	210.00	209.00 208.30
Aug	213.50	214.00	213.00 212.50
Oct	213.50	214.50	214.00 213.00
Dec	214.50	215.50	214.50 214.50
Mar	219.00	221.00	0 0

Turnover: Raw 3919 (5662) lots of 50 tonnes. White 1864 (1826).

Paris- White (FFr per tonne): Dec 1180, Mar 1179, May 1203, Aug 1248, Oct 1255, Dec 1260.

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1260	1257	1270 1255
Jan	1298	1292	1304 1287
Mar	1315	1318	1329 1312
May	1340	1340	1343 1337
Jly	1361	1365	1368 1357
Sep	1387	1389	1390 1380
Nov	1419	1400	0 0

Turnover: 2890 (2106) lots of 5 tonnes

ICO indicator prices (US cents per pound) for November 11: Comp. daily 116.17 (116.39). 15-day average 113.29 (112.95).

US MARKETS

THE PRECIOUS METALS opened steady, as expected, but release of the US trade deficit figures, which were lower than expected, firmed the US dollar which in turn led to pressure on the markets, reports Drexel Burnham Lambert. However, commission house buying in gold and platinum and trade buying in silver saw prices recover and the markets closed higher on the day. Copper was expected to open steady, but profit-taking quickly set in, pushing prices lower in quieter volume than of late. The extreme premium of the December contract over forward contracts was cited as reason for the slight correction. Fears of a possible supply squeeze in heating oil led to a firm undertone in the energy futures. Crude oil steadied on short-covering.

Cocoa eased on speculative and commission house liquidation following earlier trade buying. Coffee was quiet, easing on local and trade selling. Sugar derived support from trade and commisison house buying, but most activity was restricted to switch trading. Cotton rose sharply on trade buying as the market took further stock of the crop report.

The meats were quiet and choppy, closing mixed in light volume. In the grains reports that the Soviet Union would be tendering for 1m tonnes under the subsidised export programme supported wheat futures, while Soviet interest in soyabeans firmed prices in the futures market and commercial buying steadied meal futures. Soya oil, on the other hand, eased on reprts that India might not buy US soya oil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	463.5	461.9	463.0 463.0
Dec	464.7	465.7	465.5 462.5
Jan	467.3	465.1	0 0
Feb	470.6	468.9	471.0 468.2
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

English Spartan and Russet apples are cheaper at 35-40p a lb (previous week 40-45p) as supplies increase while Cox's, at 35-50p, and French Golden Delicious, at 20-40p, are unchanged, reports FFVB. Homegrown Comice pears are slightly more expensive at 35-55p (30-50p) as the top quality fruit comes onto the market. The first Satsuma clementines have arrived at 35-40p while Spanish satsumas are unchanged at 30-40p. Italian grapes, 50-90p, and oranges, 12-30p each, are also stable. Cauliflowers are cheaper at 40-60p a head (50-65p a head) with increased quantities in the shops. Potatoes are stable with whites at 10-12p and reds at 13-15p. Calabrese has risen to 80p-£1.00 as English supplies have now finished, leaving only Italian imports. Carrots, 14-24p, parsnips, 15-30p, swedes, 16-18p, and turnips, 25-35p, are all unchanged.

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1836	1865	1873 1835
Mar	1884	1914	1905 1881
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	125.70	128.44	127.29 125.60
Mar	130.21	130.98	131.65 130.00
May	132.05	132.60	133.20 131.95
Jly	133.50	134.13	134.60 133.30
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.63	17.70	17.85 17.62
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on budget talks

THE DOLLAR continued to improve in currency markets yesterday. Early short covering pushed the US unit firmer amid growing speculation that a package would soon be agreed between Congress and President Reagan to cut the US budget deficit by more than the $23bn due to be implemented in the Gramm Rudman amendment.

Early indications suggested that a reduction for this year of around $30bn was likely to be presented to President Reagan. A cut of $35bn in the next fiscal year was also being mentioned but dealers were quick to point out that any sign of hesitation or failure on the part of the US administration would undoubtedly push the dollar sharply weaker. In the short term however the dollar's prospects looked mildly bullish.

A $14.08bn trade deficit in September was slightly better than most expectations but was still less than encouraging. However it was sufficiently close to the projected median of $14.7bn as to have only a limited effect on market sentiment.

The dollar closed at DM1.6980 up from DM1.6760 and Y136.40 compared with Y135.25. Elsewhere it rose to SFr1.3975 from SFr1.3750 and FFr5.7525 from FFr5.6850. On Bank of England figures, the dollar's exchange rate index rose from 96.3 to 96.8.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index 75.3 against 75.1 at the opening and 75.4 on Wednesday. The six months ago figure was 72.1.

Sterling managed to recover some of its earlier losses. However it was still weaker overall and although UK unemployment fell by 58,400, more than expected and the rise in UK average earnings stayed the same at 7.75 p.c., there appeared to be little incentive to hold long sterling positions.

Some large selling orders were triggered as sterling touched the $1.7750 level, notably by pension funds, and this pushed the rate down to a low of $1.7545. In addition investors had seen a steady decline in sterling's value against the D-Mark recently to as low as DM2.9750 from just under DM3.00 and with UK interest rates moving lower, the temptation to switch into dollars proved to be largely irresistible.

The pound closed at $1.7575 from $1.7790, underlining the switch into dollars but was virtually unchanged against the D-Mark at DM2.9850 compared with DM2.9825. It was lower against the yen at Y239.75 from Y240.50. Elsewhere it finished at SFr2.4550 from SFr2.4450 and FFr10.1100 compared with FFr10.1125.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 150.9 against 147.2 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM1.6832 up from DM1.6648. Trading during the morning was subdued as traders awaited the release of US trade figures. Early short covering had boosted the US unit but the range was still relatively narrow.

The deficit figure for September of $14.08bn provoked little reaction because it fell within the range of most people's expectations and attention once more reverted to current discussions on reducing the US budget deficit.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.2 against 226.9 six months ago.

Trading was subdued for much of the time in Tokyo because the dealing day was sandwiched between Wednesday's partial holiday in the US and yesterday's release of September's trade figures. The dollar closed at Y134.80 from Y134.35.

£ IN NEW YORK

Nov 12	Close	Previous Close
£ Spot	1.7565-1.7575	1.7795-1.7805
1 month	0.32-0.30pm	0.33-0.31pm
3 months	0.68-0.64pm	0.57-0.55pm
12 months	1.85-1.75pm	1.65-1.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov 12	Previous
8.30	am	75.1	75.3
9.00	am	75.2	75.4
10.00	am	75.2	75.4
11.00	am	75.1	75.5
Noon		75.2	75.4
1.00	pm	75.3	75.4
2.00	pm	75.2	75.4
3.00	pm	75.1	75.4
4.00	pm	75.3	75.4

CURRENCY RATES

Nov 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	-	N/A	0.692580
U.S. Dollar	6	N/A	1.22795
Canadian $	8.75	N/A	1.61966
Austrian Sch.	4	N/A	14.5057
Belgian Franc	7¼	N/A	43.1377
Danish Krone	7	N/A	7.95770
Deutsche Mark	3	N/A	2.06172
Neth. Guilder	4½	N/A	2.32008
French Franc	9½	N/A	7.00297
Italian Lira	12	N/A	1521.42
Japanese Yen	2½	N/A	165.773
Norway Krone	8	N/A	7.86929
Spanish Peseta	-	N/A	139.065
Swedish Krona	7½	N/A	7.45731
Swiss Franc	3	N/A	1.69272
Greek Drach.	20½	N/A	162.629
Irish Punt	-	N/A	0.775904

CS/SDR rate for Nov.11 N/A

CURRENCY MOVEMENTS

Nov 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.3	-18.6
US Dollar	96.8	-4.3
Canadian Dollar	77.0	-10.6
Austrian Schilling	141.9	+10.8
Belgian Franc	101.3	-4.4
Danish Krone	93.7	+2.2
Deutsche Mark	150.9	+23.4
Swiss Franc	179.7	+25.2
Guilder	138.7	+15.6
French Franc	72.2	-13.3
Lira	47.5	-18.8
Yen	228.2	+70.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Nov 12	£	$
Argentina	6.9225-7.0145	3.9300-3.9800
Australia	2.5755-2.5785	1.4645-1.4655
Brazil	101.085-101.650	57.385-57.675
Finland	7.2960-7.3200	4.1625-4.1645
Greece	232.35-236.50	131.35-133.55
Hong Kong	13.7185-13.7235	7.8010-7.8020
Iran	121.50*	67.35*
Korea(Sth)	1415.15-1428.10	795.40-801.80
Kuwait	0.48680-0.48730	0.27675-0.27685
Luxembourg	61.90-62.00	35.20-35.30
Malaysia	4.3815-4.3945	2.5000-2.5050
Mexico	2970.80-2974.25	1687.00-1688.00
N. Zealand	2.8460-2.8560	1.6180-1.6205
Saudi Ar.	6.5925-6.5975	3.7480-3.7485
Singapore	3.5920-3.6030	2.0470-2.0485
S. Af (Cm)	3.4815-3.4975	1.9855-1.9895
S. Af (Fn)	5.7140-5.9060	3.2520-3.3615
Taiwan	53.05-53.35	29.75-29.85
U.A.E.	6.4595-6.4655	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1377	+1.60	+0.86	±1.5344
Danish Krone	7.85212	7.95770	+1.34	+0.60	±1.6404
German D-Mark	2.05853	2.06172	+0.15	-0.59	±1.0981
French Franc	6.90403	7.00297	+1.43	+0.69	±1.3674
Dutch Guilder	2.31943	2.32008	+0.03	-0.71	±1.5012
Irish Punt	0.768411	0.775904	+0.98	+0.24	±1.6684
Italian Lira	1483.58	1521.42	+2.55	+2.25	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7545-1.7785	1.7570-1.7580	0.34-0.31cpm	2.22	0.70-0.65pm	1.54
Canada	2.3150-2.3393	2.3150-2.3160	0.12-0.02cpm	0.36	0.09dis-0.04pm	0.04
Netherlands	3.33¾-3.36	3.35-3.36	1¼-1cpm	4.02	3¼-3pm	3.73
Belgium	61.90-62.48	61.90-62.00	16-9cpm	2.42	35-25pm	1.87
Denmark	11.45½-11.52¼	11.49¼-11.50¼	⅜-1⅜oredis	-1.11	4-4⅞dis	-1.52
Ireland	1.1175-1.1295	1.1210-1.1220	0.02pm-0.06dis	-0.21	0.05pm-0.02dis	0.05
W. Germany	2.97¾-2.99	2.98-2.99	1⅜-1¼pfpm	5.53	3⅜-3⅛pm	4.77
Portugal	241.88-244.48	242.40-243.40	33-88cdis	-2.99	214-321dis	-4.38
Spain	200.10-201.28	200.10-200.40	98-151cdis	-7.46	289-378dis	-6.46
Italy	2183½-2201	2198-2199	5-8lire dis	-3.55	16-23dis	-3.55
Norway	11.29½-11.37	11.29½-11.30½	4½-5⅜oredis	-5.31	16-16⅝dis	-5.77
France	10.09½-10.12	10.10½-10.11½	⅜-1cdis	-0.82	1½-2⅜dis	-0.79
Sweden	10.73¾-10.77¾	10.75¾-10.76¾	⅛-⅝oredis	-0.21	1⅞-2⅝dis	-0.65
Japan	239-240¼	239¾-240¾	1¼-1⅛ypm	5.01	2⅞-2⅝pm	4.59
Austria	20.88-20.99	20.91-20.96	7¾-6¼gropm	4.23	21⅝-18⅝pm	3.87
Switzerland	2.44¼-2.46	2.45-2.46	1⅜-1⅛cpm	6.42	3⅛-2⅞pm	4.99

Belgian rate is convertible francs. Financial franc 62.15-62.25. Six-month forward dollar 1.30-1.25pm. 12-month 1.98-1.83pm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7545-1.7785	1.7570-1.7580	0.34-0.31cpm	2.22	0.70-0.65pm	1.54
Ireland†	1.5670-1.5845	1.5715-1.5725	0.24-0.19cpm	1.63	0.58-0.48pm	1.34
Canada	1.3160-1.3190	1.3170-1.3180	0.19-0.22cdis	-1.87	0.48-0.51dis	-1.50
Netherlands	1.8825-1.9100	1.9090-1.9100	0.30-0.27cpm	1.81	1.12-1.07pm	2.31
Belgium	35.00-35.45	35.20-35.30	2.00dis-1.00pm	0.51	6.00-1.00pm	0.40
Denmark	6.4575-6.5475	6.5425-6.5475	1.10-1.80oredis	-2.66	3.90-4.60dis	-2.60
W. Germany	1.6730-1.6965	1.6975-1.6985	0.46-0.43pfpm	3.17	1.45-1.40pm	3.36
Portugal	137.50-138.25	137.50-138.00	45-75cdis	-5.25	170-230dis	-5.81
Spain	112.80-114.40	113.90-114.00	68-100cdis	-8.45	180-230dis	-7.22
Italy	1233-1252	1250¾-1251¾	5.50-6.50liredis	-5.80	14.00-17.00dis	-5.00
Norway	6.3725-6.4550	6.4275-6.4325	3.85-4.20oredis	-7.53	11.50-11.90dis	-7.29
France	5.68¼-5.75¼	5.75-5.75¼	1.37-1.52cdis	-3.03	3.05-3.35dis	-2.24
Sweden	6.0470-6.1170	6.09-6.0950	1.05-1.35oredis	-2.37	2.90-3.30dis	-2.04
Japan	134.80-136.95	136.35-136.45	0.33-0.30ypm	2.78	1.10-1.05pm	3.16
Austria	11.77¼-11.92	11.86¼-11.86¾	3.00-1.00gropm	2.02	8.00-6.00pm	2.36
Switzerland	1.3730-1.3980	1.3970-1.3980	0.48-0.43cpm	3.95	1.25-1.18pm	3.52

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.35-35.45.

EURO-CURRENCY INTEREST RATES

Nov 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	11-10	12-10	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.758	2.985	239.8	10.11	2.455	3.355	2199.	2.316	61.95
$	0.569	1.	1.698	136.4	5.753	1.398	1.910	1251	1.317	35.25
DM	0.335	0.589	1.	80.32	3.387	0.822	1.124	736.5	0.776	20.75
YEN	4.171	7.331	12.45	1000.	42.17	10.24	13.99	9170	9.658	258.4
F Fr.	0.989	1.738	2.953	237.1	10.	2.428	3.318	2175.	2.290	61.28
S Fr.	0.407	0.716	1.216	97.66	4.118	1.	1.367	895.5	0.943	25.23
H Fl.	0.298	0.524	0.890	71.46	3.013	0.732	1.	655.3	0.690	18.46
Lira	0.455	0.799	1.358	109.1	4.599	1.117	1.526	1000.	1.053	28.18
C $	0.432	0.759	1.289	103.5	4.366	1.060	1.449	949.5	1.	26.75
B Fr.	1.614	2.837	4.818	387.0	16.32	3.963	5.416	3549.	3.738	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts and bonds steady

INTEREST RATE futures were little changed on the London International Financial Futures Exchange. Downward pressure on cash rates eased, and the market believed there was no longer a strong need for lower UK bank base rates.

December long term gilt futures opened lower at 121-24, with a recovery in London, Tokyo and New York equity prices seeming to reduce the need for lower interest rates.

The fall in UK unemployment was more than forecast, while the unchanged underlying level of 7¾ p.c. in average earnings was regarded as satisfactory.

In spite of the fall below 10 p.c. in unemployment for the first time in six years the market was more concerned with events across the Atlantic, particularly the US trade and budget deficits.

The September US trade deficit of $14.08bn was lower than the expected shortfall of $14.7bn, *but within the general level of* forecasts of $14bn to $16bn.

December gilts finished towards the top end of the day's range at 122-25, compared with 122-29 on Wednesday.

US Treasury bond futures also showed little movement, but recovered from a December low of 89-00, on the lower than expected US trade deficit in September, *although there was some* concern that the August deficit of $15.68bn was not revised down. The contract closed at *89-08*, against the previous settlement of 89-11.

Japanese government bond futures weakened on Liffe, opening at 106.05 for December delivery, *compared with 106.90 at* Wednesday's close, after falling sharply in Tokyo. This followed disappointment at the Bank of Japan refusing an opportunity to signal lower interest rates. The central bank bought Y100bn of three-month certificates of deposit at an unchanged 4.05 p.c.

December Japanese bonds closed at 105.62, compared with 106.90 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	6.51	7.39	0.01	0.55
118	4.56	6.09	0.06	1.25
120	3.08	4.49	0.22	2.01
122	1.40	3.45	0.54	2.61
124	0.46	2.48	1.60	4.00
126	0.16	1.63	3.30	5.15
128	0.05	1.23	5.19	6.39
130	0.02	0.39	9.14	9.55

Estimated volume total, Calls 4192 Puts 1854
Previous day's open int: Calls 44338 Puts 33201

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	7.16	7.28	0.00	1.08
84	5.17	6.00	0.01	1.44
86	3.25	4.40	0.09	2.20
88	1.51	3.30	0.35	3.10
90	0.45	2.33	1.29	4.13
92	0.17	1.52	3.01	5.32
94	0.06	1.18	4.54	6.62
96	0.01	0.56	6.49	8.36

Estimated volume total, Calls 378 Puts 118
Previous day's open int: Calls 2968 Puts 1820

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
18000	2.00	7.08	12.50	17.58
18250	1.50	6.29	14.50	19.29
18500	1.11	5.58	16.61	21.08
18750	0.81	4.94	18.81	22.94
19000	0.58	4.36	21.08	24.86
19250	0.41	3.83	23.41	26.83
19500	0.29	3.36	25.79	28.86
19750	0.20	2.94	28.20	30.94

Estimated volume total, Calls 5 Puts 0
Previous day's open int: Calls 52 Puts 135

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-Last Nov	Calls-Last Dec	Calls-Last Jan	Calls-Last Mar	Puts-Last Nov	Puts-Last Dec	Puts-Last Jan	Puts-Last Mar
1.50	26.80	26.80	—	26.80	0.00	0.00	—	0.07
1.55	21.80	21.80	21.80	21.80	0.00	0.00	0.04	0.23
1.60	16.80	16.80	16.80	16.80	0.00	0.01	0.17	0.60
1.65	11.80	11.80	11.86	12.29	0.00	0.12	0.59	1.37
1.70	6.80	7.09	7.83	8.63	0.00	0.62	1.56	2.71
1.75	1.80	3.55	4.65	5.69	0.02	2.08	3.38	4.77
1.80	0.00	1.37	2.45	3.50	3.22	4.90	6.18	7.58

Estimated volume total, Calls 40 Puts 22
Previous day's open int: Calls 413 Puts 1409

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last Nov	Calls-Last Dec	Calls-Last Jan	Calls-Last Mar	Puts-Last Nov	Puts-Last Dec	Puts-Last Jan	Puts-Last Mar
1.45	—	32.90	—	—	—	2.70	—	—
1.50	20.60	20.60	—	20.60	0.30	0.30	—	0.30
1.55	23.95	23.60	—	23.95	0.30	0.30	—	0.30
1.60	18.95	18.95	18.95	19.00	0.30	0.30	0.30	0.40
1.65	13.95	13.60	13.95	14.45	0.30	0.45	0.70	1.35
1.70	8.85	8.60	8.60	10.45	0.30	1.20	2.05	2.40
1.75	2.20	3.40	4.80	5.40	0.45	2.70	4.20	5.00

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 896 Puts 339

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-Last Nov	Calls-Last Dec	Calls-Last Jan	Calls-Last Mar	Puts-Last Nov	Puts-Last Dec	Puts-Last Jan	Puts-Last Mar
1.650	11.15	3.20	11.55	11.85	—	0.30	0.75	11.25
1.675	8.65	1.95	9.40	9.90	0.05	10.50	1.20	11.85
1.700	6.25	1.35	7.60	8.15	0.05	10.85	1.80	2.45
1.725	3.80	1.25	5.90	6.65	0.05	1.25	2.25	3.35
1.750	1.65	1.00	4.40	5.40	0.20	2.15	3.25	4.45
1.775	0.30	—	3.25	4.10	1.30	3.25	4.50	5.75
1.800	—	0.50	2.50	3.15	3.35	4.85	6.05	7.20

Estimated volume total, Calls 1,163 Puts 1,887
Previous day's open int: Calls 98,087 Puts 103,402

LIFFE- EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-Last Dec	Calls-Last Mar	Calls-Last Jun	Calls-Last Sep	Puts-Last Dec	Puts-Last Mar	Puts-Last Jun	Puts-Last Sep
89.75	2.75	2.64	2.39	2.18	0.00	0.03	0.13	0.29
90.00	2.50	2.40	2.17	1.98	0.00	0.04	0.16	0.34
90.25	2.25	2.17	1.95	1.78	0.00	0.06	0.19	0.39
90.50	2.00	1.94	1.74	1.59	0.00	0.08	0.23	0.45
90.75	1.75	1.71	1.54	1.42	0.00	0.10	0.28	0.53
91.00	1.50	1.50	1.35	1.25	0.00	0.14	0.34	0.61
91.25	1.25	1.29	1.17	1.09	0.00	0.18	0.41	0.70

Estimated volume total, Calls 28 Puts 3
Previous day's open int: Calls 2493 Puts 2360

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	122-25	123-07	121-24	122-29
Mar	122-24	122-29	122-00	122-24

Estimated Volume 41011 (37075)
Previous day's open int. 29324 (30440)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	105.62	106.15	105.50	106.90
Mar	105.15	105.61	105.05	106.30

Estimated Volume 497 (476)
Previous day's open int. 361 (337)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	91.24	91.32	91.07	91.32
Mar	91.22	91.32	91.07	91.32
Jun	91.10	91.14	90.96	91.19
Sep	90.95	90.98	90.92	91.00
Dec	90.85	-	-	90.85

Estimated Volume 11657 (7774)
Previous day's open int. 20520 (19942)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	169.50	172.00	165.00	163.25
Mar	173.90	174.50	169.00	167.65

Estimated Volume 3042 (3287)
Previous day's open int. 7899 (9008)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	92.50	92.57	92.44	92.51
Mar	92.36	92.42	92.35	92.37
Jun	92.01	91.47	91.41	92.01
Sep	91.64	91.67	91.61	91.65
Dec	91.32	-	-	91.30
Mar	91.10	-	-	91.08
Jun	90.90	-	-	90.88
Sep	90.73	-	-	90.71

Estimated Volume 8400 (2940)
Previous day's open int. 38596 (38920)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	89-08	89-25	89-00	89-11
Mar	89-10	89-18	89-10	89-12

Estimated Volume 9705 (2317)
Previous day's open int. 9233 (9430)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	88-29	89-24	88-20	88-31
Mar	88-08	88-26	88-01	88-01
Jun	88-07	87-30	87-10	87-07
Sep	86-21	87-02	86-21	86-15
Dec	86-00	86-14	86-00	85-25
Mar	85-13	85-20	85-13	85-05
Jun	-	-	-	84-19
Sep	-	-	-	84-03
Dec	-	-	-	83-20
Mar	-	-	-	83-06
Jun	-	-	-	82-25

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	93.87	94.07	93.83	94.00
Mar	93.64	93.80	93.63	93.73
Jun	93.29	93.39	93.29	93.34
Sep	92.98	93.07	92.98	93.02
Dec	92.71	92.71	92.71	92.71
Mar	-	-	-	92.51

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7195	0.7320	0.7180	0.7297
Mar	0.7243	0.7371	0.7230	0.7357
Jun	-	0.7400	0.7300	0.7420
Sep	0.7400	0.7450	0.7400	0.7497

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7346	0.7432	0.7335	0.7422
Mar	0.7402	0.7485	0.7400	0.7485
Jun	0.7460	0.7460	0.7460	0.7548
Sep	0.7550	0.7575	0.7550	0.7611
Dec	-	-	-	0.7674

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5914	0.5982	0.5906	0.5985
Mar	0.5970	0.6035	0.5952	0.6036
Jun	0.6000	0.6073	0.6000	0.6087
Sep	0.6080	0.6080	0.6080	0.6140
Dec	0.6125	0.6150	0.6125	0.6193

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.47	92.59	92.45	92.48
Mar	92.16	92.44	92.34	92.36
Jun	91.99	92.06	91.99	92.00
Sep	-	91.69	91.60	91.36
Dec	91.31	91.37	90.91	91.32
Mar	91.05	91.13	90.91	91.07
Jun	90.83	90.90	90.83	90.85
Sep	90.62	90.71	90.62	90.65

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	248.20	251.00	240.00	242.20
Mar	249.80	253.00	249.80	243.50
Jun	251.80	253.50	251.80	245.30
Sep	254.60	255.80	-	248.00

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7575	1.7543	1.7508	1.7452	1.7380

IMM-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7560	1.7720	1.7510	1.7760
Mar	1.7500	1.7650	1.7460	1.7720
Jun	1.7500	1.7530	1.7530	1.7680

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Dec	1.7647	1.7676	1.7565	1.7758
Mar	1.7592	-	-	1.7709
Jun	1.7543	1.7543	1.7543	1.7765

Estimated volume 20 (8)
Previous day's open int. 175 (175)

Company Notices

NOTICE TO HOLDERS OF

Bearer Warrants to subscribe up to ¥15,470,000,000 for shares of the common stock of

MATSUSHITA ELECTRIC TRADING CO., LTD.

Notice is hereby given that at a meeting of the Board of Directors of Matsushita Electric Trading Co., Ltd. held on 4th November, 1987 a resolution was passed approving a free distribution of shares of common stock (with a par value of ¥50 per share) to shareholders of record at 3 p.m. (Japan time) on Monday, 30th November, 1987 at the rate of 0.15 shares for each share so held.

As a result, the subscription price (the "Subscription Price") of the Warrants will be adjusted in accordance with the provisions of Clause 3(i) of the Instrument dated 30th March, 1987 as set forth below:

The Subscription Price before adjustment:
¥2,075.00 per share
The Subscription Price after adjustment:
¥1,804.30 per share
Effective date of the adjustment:
as from 1st December, 1987

Matsushita Electric Trading Co., Ltd.
By: The Bank of Tokyo Trust Company
as Disbursement Agent

Dated; 13th November, 1987

MONEY MARKETS

UK rates rise with share prices

INTEREST RATES were firmer on the London money market, as share prices rose in London, following a recovery in equities on Wall Street and in Tokyo.

Three-month interbank climbed to 9-8⅞ p.c. from 8⅞-8¹³⁄₁₆ p.c., with rising share prices reducing the pressure for a cut in UK clearing bank base rates.

UK clearing bank base lending rate 9 per cent *from November 5*

Dealers commented that the more confident tone on the London Stock Exchange probably meant the UK authorities would wait for an announcement from Washington on the US budget deficit, before deciding the next move on interest rates.

An agreement on the US budget deficit seemed to be near as London closed for the day, amid optimism that a cut of around $30bn would be announced for the new financial year, compared with only $23bn in the Gramm Rudman bill.

A US trade deficit of $14.08bn in September was the lowest since May, and below the median forecast level of $14.7bn. It also represented a reduction from the $15.68bn in August, and helped maintain the overall trend. Downward pressure on the dollar eased, and Wall Street remained firm.

The Bank of England initially forecast a money market shortage of £350m, but revised this to £500m at noon, and to £550m in the afternoon.

The authorities did not operate in the market before lunch. In the afternoon £252m bills were purchased outright, by way of £35m bank bills in band 1 at 8⅞ p.c. and £217m bank bills in band 2 at 8¾ p.c.

Late assistance of around £260m was also provided.

In Frankfurt call money was steady at 3.575 p.c. as dealers awaited the general reaction to yesterday's US trade figures. The West German Bundesbank has been fairly generous with its supply of liquidity to the banking system recently, on fears that the failure to reduce rates would hit the dollar, and lead to further criticism from abroad.

The trade figures were slightly better than expected, supporting the dollar, and tending to reduce the need for lower interest rates outside the US.

Although the future of rates remains in the balance, the Bundesbank's concern about excess money supply growth is likely to return to the fore, making a further move to reduce West German interest rates less likely.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 12) 3 months US dollars		6 months US Dollars	
bid 7¼	offer 7⅜	bid 7⅜	offer 7½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK
(Lunchtime)

		Treasury Bills and Bonds			
Prime rate	8.75	One month	4.76	Three year	7.94
Broker loan rate	7.75	Two month	5.00	Four year	8.14
Fed.funds	6⅞	Three month	6.00	Five year	8.26
Fed.funds at intervention	6⅞	Six month	6.55	Seven year	8.60
		One year	6.90	10-year	8.77
		Two year	7.63	30-year	8.85

November 12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.60	3.50-3.65	3.80-3.95	3.85-4.00	3.90-4.05	4.50
Paris	8.8125	9.00	9.00	9.00	9.00	8.25
Zurich	1.00	2.625	-	3.625	-	-
Amsterdam	4.25	4.9375	-	5.0625	-	-
Tokyo	3.28125	3.84375	-	3.96875	-	-
Milan	10.25	10.875	-	11.625	-	-
Brussels	6.30	6.75	-	7.0625	-	-
Dublin	9.125	8.875	9.00	9.125	9.4375	-

LONDON MONEY RATES

Nov.12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10.00	9.25	9.00	9.00	9.00	9.125
Interbank Bid	8.00	9.0625	8.875	8.875	8.875	8.9375
Sterling CDs	-	-	8.9375	8.9375	8.875	8.875
Local Authority Deps.	9.00	9.125	8.9375	8.875	8.875	8.875
Local Authority Bonds	-	-	9.4375	9.4375	9.375	9.50
Discount Mkt Deps.	9.25	9.00	-	-	-	-
Company Deposits	9.125	9.25	9.125	9.00	9.00	9.00
Finance House Deposits	-	-	9.00	9.00	9.00	9.125
Treasury Bills (Buy)	-	-	8.875	8.5625	-	-
Bank Bills (Buy)	-	-	8.875	8.75	8.90	-
Fine Trade Bills (Buy)	-	-	9.50	9.375	9.125	-
Dollar CDs	-	-	6.90-6.85	7.35-7.30	7.40-7.35	7.85-7.80
SDR Linked Deposits	-	-	6.125	6.3125	6.25	6.5625
ECU Linked Deposits	-	-	7.1875	7.25	7.25	7.3125

Treasury Bills (sell); one-month 8.75 per cent; three months 8.437 per cent; Bank Bills (sell); one-month 8.75 per cent; three months 8.625 per cent; Treasury Bills; Average tender rate of discount 8.2877 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day OCTOBER 30, 1987. Agreed rates for period NOVEMBER 25 to DECEMBER, 1987, Scheme I: 11.36 p.c., Schemes II & III: 11.29 p.c. Reference rate for period OCTOBER 1 to OCTOBER 30, 1987, Scheme IV: 10.094 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10.5 from NOVEMBER 1, 1987: Bank Deposit Rates for sums at seven days notice 3-3.5 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7.5 per cent; one-three months 8.00 per cent; three-six months 8.00 per cent; six-nine months 8.00 per cent; nine-twelve months 8.00 per cent; Under £100,000 8.00 per cent from November 5, Deposits withdrawn for cash 5.00 per cent.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, November 11, 198. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.23843 SDR1=$US1.35724
As of November 11 at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	7⅜	7½
Sibor:	7¼	7½

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60
Albania	Lek	5.6504
Algeria	Dinar	4.67
Andorra	French Franc Spanish Peseta	5.6565 112.045
Angola	Kwanza	29.918
Antigua	E. Caribbean$	2.70
Argentina	Austral	3.50 (3)
Aruba	Florin	1.79
Australia	Australian$	1.4652
Austria	Schilling	11.71
Azores	Portuguese Escudo	135.60
Bahamas	Bahama $	1.00
Bahrain	Dinar	0.3769
Balearic Islands	Spanish Peseta	112.045
Bangladesh	Taka	32.975
Barbados	Barbados $	2.0113
Belgium	Belgian Franc	34.83 (c) 34.945 (f)
Belize	B $	2.00
Benin	C.F.A. Franc	282.825
Bermuda	Bermudian $	1.00
Bhutan	Ngultrum	12.93
Bolivia	Boliviano (o) Boliviano (f)	2.13 2.15
Botswana	Pula	1.601
Brazil	Cruzado	57.531
British Virgin Islands	U.S.$	1.00
Brunei	Brunei$	2.0445
Bulgaria	Lev	0.8478
Burkina Faso	C.F.A. Franc	282.825
Burma	Kyat	6.3314
Burundi	Burundi Franc	118.623
Cameroon	C.F.A Franc	282.825
Canada	Canadian $	1.3178
Canary Islands	Spanish Peseta	112.045
Cape Verde Islands	Cape V Escudo	72.185
Cayman Islands	Cayman Isles $	0.835
Cent.Afr. Republic	C.F.A. Franc	282.825
Chad	C.F.A. Franc	282.825
Chile	Chilean Peso	229.55 (o)
China	Renminbi Yuan	3.722
Colombia	Col.Peso	257.91 (o)
Comoro Islands	C.F.A. Franc	282.825
Congo, Ppls Rep of	C.F.A. Franc	282.825
Costa Rica	Colon	66.75
Cuba	Cuban Peso	0.7333
Cyprus	Cyprus £	2.1887*
Czechoslovakia	Koruna	5.40 (o)
Denmark	Danish Kroner	6.4178
Djibouti Republic of	Djibouti Franc	176.83
Dominica	E. Caribbean$	2.70
Dominican Republic	Dominican Peso	[illegible]
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
El Salvador	Colon	[illegible]
Equatorial Guinea	C.F.A. Franc	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Falkland Islands	Falkland £	[illegible]
Faroe Islands	Danish Kroner	[illegible]
Fiji Islands	Fiji $	[illegible]
Finland	Markka	[illegible]
France	Franc	[illegible]
French Cty in Africa	C.F.A. Franc	[illegible]
French Guiana	Local Franc	[illegible]
French Pacific Islands	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	[illegible]
Gambia	Dalasi	[illegible]
Germany (East)	Ostmark	[illegible]
Germany (West)	Deutsche Mark	[illegible]
Ghana	Cedi	[illegible]
Gibraltar	Gibraltar £	[illegible]
Greece	Drachma	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Greenland	Danish Krone	6.4178
Grenada	E. Caribbean $	2.70
Guadaloupe	Local Franc	5.6565
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00 (o) 2.585 (b,f)
Guinea	Franc Franc (f)	340.00 300.00
Guinea-Bissau	Peso	650.00
Guyana	Dollar Dollar (o)	10.00 20.00 (o)
Haiti	Gourde	5.00
Honduras	Lempira	2.00 (o)
Hong Kong	H.K. $	7.807
Hungary	Forint	47.458 [illegible]
Iceland	Icelandic Krona	36.91
India	Indian Rupee	12.93
Indonesia	Rupiah	1644.00
Iran	Rial	68.0057 (o)
Iraq	Iraqi Dinar	0.3109
Irish Republic	Punt	1.5958*
Israel	Shekel	1.56
Italy	Lira	1227.00
Ivory Coast	C.F.A. Franc	282.825
Jamaica	Jamaican Dollar	5.47 (o)
Japan	Yen	134.35
Jordan	Jordanian Dinar	0.346
Kampuchea	Riel(5)	100.00 (5)
Kenya	Kenya Shilling	16.6941
Kiribati	Australian $	1.4652
Korea (north)	Won	0.94
Korea (south)	Won	798.50
Kuwait	Kuwaiti Dinar	0.2756
Laos	New Kip	35.00
Lebanon	Lebanese £	505.00
Lesotho	Maluti	1.9612
Liberia	Liberian $	1.00
Libya	Libyan Dinar	0.2829
Liechtenstein	Swiss Franc	1.3636
Luxembourg	Luxembourg Franc	34.83
Macao	Pataca	8.0412
Madagascar	Franc	1264.92
Madeira	Portuguese Escudo	135.60
Malawi	Kwacha	2.1664
Malaysia	Ringgit	2.495
Maldive Islands	Rufiyaa	10.10
Mali Republic	C.F.A. Franc	282.825
Malta	Lira	3.0972*
Martinique	Local Franc	5.6565
Mauritania	Ouguiya	74.80
Mauritius	Rupee	[illegible]
Mexico	Peso	[illegible]
Miquelon	Local Franc	[illegible]
Monaco	French Franc	[illegible]
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	[illegible]
Morocco	Dirham	[illegible]
Mozambique	Metical	[illegible]
Namibia	S.A. Rand	[illegible]
Nauru Islands	Australian $	[illegible]
Nepal	Nepalese Rupee	[illegible]
Netherlands	Guilder	[illegible]
Netherlands Antilles	Antillian Guilder	[illegible]
New Zealand	N.Z. $	[illegible]
Nicaragua	Cordoba	[illegible]
Niger Republic	C.F.A. Franc	[illegible]
Nigeria	Naira	[illegible]
Norway	Norwegian Krone	[illegible]
Oman Sultanate of	Rial Omani	[illegible]

COUNTRY	CURRENCY	VALUE OF DOLLAR
Pakistan	Pakistan Rupee	17.5438
Panama	Balboa	1.00
Papua New Guinea	Kina	0.8963
Paraguay	Guarani	320.00 (o) 550.00 (o) 877.50 (d)
Peru	Inti (o,n,4) Inti (f)	20.00 41.62
Philippines	Peso	21.10
Pitcairn Islands	NZ dollar	1.6069
Poland	Zloty(o)	304.00
Portugal	Escudo	135.60
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion Isle de la	French Franc	5.6565
Romania	Leu (c)	8.73
Rwanda	Franc	75.6757
St Christopher	E. Caribbean $	2.70
St Helena	Pound*	1.7875
St Lucia	E. Caribbean $	2.70
St Pierre	French Franc	5.6565
St Vincent	E. Caribbean $	2.70
Samoa(Western)	Tala	2.0542
Samoa(Am)	US $	1.00
San Marino	Italian Lira	1227.00
Sao Tome & Princip DR.	Dobra	33.3997
Saudi Arabia	Riyal	3.751
Senegal	C.F.A. Franc	282.825
Seychelles	Rupee	5.3303
Sierra Leone	Leone	22.00
Singapore	Dollar	2.0445
Solomon Islands	Dollar	1.996
Somali Republic	Shilling (d)	100.00
South Africa	Rand	3.3333 (f) 1.9612 (c)
Spain	Peseta	112.045
Spanish Ports in N Africa	Spanish Peseta	112.045
Sri Lanka	Rupee	30.494
Sudan Republic	Pound	4.50 (o,1) 2.93 (k) 4.00 (f)
Surinam	Guilder	1.785
Swaziland	Lilangeni	1.9612
Sweden	Krona	6.028
Switzerland	Franc	1.3636
Syria	Pound (o)	3.925
Taiwan	Dollar (o)	29.81
Tanzania	Shilling	74.001
Thailand	Baht	25.445
Togo Republic	C.F.A. Franc	282.825
Tonga Islands	Pa'anga	1.4652
Trinidad & Tobago	Dollar	[illegible]
Tunisia	Dinar	[illegible]
Turkey	Lira	[illegible]
Turks & Caicos	US $	[illegible]
Tuvalu	Australian $	[illegible]
Uganda	New Shilling	[illegible]
United Arab Emirates	Dirham	[illegible]
United Kingdom	Pound Sterling*	[illegible]
Uruguay	Peso	[illegible]
USSR	Rouble	[illegible]
Vanuatu	Vatu	[illegible]
Vatican	Lira	[illegible]
Venezuela	Bolivar	[illegible]
Vietnam	Dong	[illegible]
Virgin Islands (British)	US $	[illegible]
Virgin Islands (US)	US $	[illegible]
Yemen	Rial	[illegible]
Yemen PDR	Dinar	[illegible]
Yugoslavia	Dinar	[illegible]
Zaire Republic	Zaire	[illegible]
Zambia	Kwacha	[illegible]
Zimbabwe	Dollar	[illegible]

n.a. Not available. (m) Market rate. [illegible]
For further information please contact your local branch of the Bank of America

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	THURSDAY NOVEMBER 12 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	WEDNESDAY NOVEMBER 11 1987 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1987 High	1987 Low	Year ago (approx)
Australia (89)	89.14	+3.9	75.20	86.86	4.69	85.80	71.50	83.54	180.81	85.80	91.52
Austria (16)	89.44	+0.9	75.45	78.36	2.67	88.66	73.89	77.20	102.87	85.53	93.01
Belgium (48)	100.41	+1.8	84.70	87.65	5.48	98.59	82.17	85.10	134.89	96.19	95.11
Canada (127)	102.19	+2.4	86.20	97.49	3.17	99.78	83.15	95.15	141.78	98.15	100.13
Denmark (38)	107.96	−0.5	91.07	96.10	3.12	108.51	90.43	95.37	124.83	98.18	94.92
France (120)	82.87	+7.1	69.91	74.78	3.71	77.39	64.49	69.01	121.82	77.39	93.59
West Germany (93)	75.45	+5.6	63.65	66.60	2.90	71.46	59.55	62.27	104.93	68.91	93.02
Hong Kong (46)	78.79	+0.1	66.47	78.92	6.18	78.75	65.63	78.92	158.68	75.82	88.23
Ireland (14)	105.32	+9.5	88.85	94.41	4.84	96.20	80.17	85.49	160.22	96.20	90.38
Italy (95)	73.68	+1.3	62.15	68.83	2.82	72.76	60.64	67.06	112.11	72.04	100.49
Japan (458)	128.88	+1.4	108.72	111.12	0.62	127.15	105.96	108.71	161.28	100.00	90.26
Malaysia (36)	100.48	+0.6	84.76	96.84	3.71	99.85	83.21	95.94	193.64	98.24	100.84
Mexico (14)	199.57	+0.3	168.35	368.21	0.81	198.92	165.78	366.80	422.59	99.72	96.00
Netherland (37)	99.31	+6.2	83.77	86.55	5.24	93.47	77.90	80.44	131.41	87.70	95.77
New Zealand (23)	75.99	−4.0	64.10	65.34	4.81	79.19	65.99	67.57	138.99	75.99	94.76
Norway (24)	110.70	+6.0	93.38	96.61	2.85	104.47	87.06	90.57	185.01	96.03	104.85
Singapore (27)	94.48	+2.4	79.70	89.16	2.69	92.30	76.92	86.90	174.28	90.19	101.36
South Africa (61)	122.95	+3.6	103.72	88.86	4.81	118.66	98.89	85.76	198.09	100.00	109.49
Spain (43)	121.17	+0.4	102.22	104.61	3.96	120.65	100.55	102.83	168.81	100.00	84.53
Sweden (34)	92.84	+4.9	78.32	83.73	2.74	88.50	73.76	79.40	136.64	88.50	103.96
Switzerland (53)	79.76	+4.5	67.29	69.11	2.45	76.36	63.64	65.10	111.11	73.65	92.20
United Kingdom (332)	121.11	+2.6	102.17	102.17	4.53	118.09	98.41	98.41	162.87	99.65	94.42
USA (582)	101.31	+2.6	85.46	101.31	3.64	98.75	82.30	98.75	137.42	92.83	100.94
Europe (947)	98.13	+3.5	82.78	85.23	3.98	94.79	78.99	81.30	130.02	92.25	94.50
Pacific Basin (679)	125.50	+1.4	105.87	109.07	0.85	123.79	103.16	106.72	158.77	100.00	90.34
Euro-Pacific (1626)	114.59	+2.1	96.67	99.57	1.93	112.22	93.52	96.58	143.65	100.00	91.98
North America (709)	101.35	+2.6	85.50	101.12	3.61	98.80	82.34	98.57	137.55	93.20	100.90
Europe Ex. UK (615)	83.87	+4.4	70.75	74.64	3.48	80.32	66.94	70.57	111.97	78.89	94.57
Pacific Ex. Japan (221)	84.65	+1.8	71.41	82.30	5.04	83.17	69.31	80.77	164.03	83.17	91.33
World Ex. US (1828)	114.31	+2.1	96.43	99.55	2.00	111.92	93.27	96.58	143.38	100.00	92.46
World Ex. UK (2078)	108.10	+2.3	91.19	100.08	2.36	105.70	88.09	97.35	138.82	100.00	95.90
World Ex. So. Af. (2349)	109.16	+2.3	92.09	100.32	2.56	106.72	88.94	97.49	139.47	100.00	95.67
World Ex. Japan (1952)	99.87	+2.9	84.24	94.81	3.79	97.06	80.89	91.75	134.22	95.64	98.40
The World Index (2410)	109.25	+2.3	92.16	100.26	2.58	106.80	89.00	97.43	139.73	100.00	95.75

Base values: Dec 31, 1986 = 100

Latest Hong Kong prices were not available.

Amendments to indices for November 11 applied to the following: Canada (which was wrongly stated as being closed), the regional indices and the World Index.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Last	Feb 88 Vol.	Last	May 88 Vol.	Last	Stock
GOLD C	$420	202	44	—	—	58	64	$463.10
GOLD C	$460	97	7A	—	—	215	39.50	"
GOLD C	$480	107	0.80	19	19	—	—	"
GOLD C	$500	47	0.20	45	11	—	—	"
GOLD P	$400	—	—	117	4	—	—	"
GOLD P	$420	—	—	230	6.50	180	10	"
GOLD P	$440	51	1	27	11	205	14.50	"
GOLD P	$460	100	4	—	—	—	—	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.180	—	—	270	18	253	17	Fl.185.22
EOE Index C	Fl.185	517	6A	211	14	29	15	"
EOE Index P	Fl.165	—	—	238	6	30	6.50	"
EOE Index P	Fl.185	199	6	118	10B	40	13	"
$/Fl C	Fl.185	143	6.30	—	—	845	7	Fl.190.10
$/Fl C	Fl.190	93	2.10	129	4.30	77	9.40	"
$/Fl C	Fl.195	64	0.70	147	1.90	49	2.80	"
$/Fl P	Fl.180	—	—	149	0.90	91	1.60	"
$/Fl P	Fl.185	149	0.20	325	1.20	76	1.80	"
$/Fl P	Fl.190	156	1	516	2.70	74	4.10	"
$/Fl P	Fl.195	31	5	425	5.70B	73	6.70	"
$/Fl P	Fl.200	54	9.50B	251	10	20	11	"
$/Fl P	Fl.205	4	15	325	14.50B	—	—	"
$/Fl P	Fl.210	—	—	79	19.50B	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.195	74	4.50	23	4.70	20	5.50	Fl.190.10
$/Fl C	Fl.200	114	2.60	2	3.50	29	4.30	"
$/Fl P	Fl.180	57	2	—	—	—	—	"
$/Fl P	Fl.185	15	3.70	109	6.70	1	7.50A	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.46	523	1.60	709	2.70	—	—	Fl.41.90
ABN P	Fl.50	12	9A	400	8.50	—	—	"
AEGON C	Fl.65	43	2	227	4.10	—	—	Fl.59
AHOLD C	Fl.80	89	3.90	27	5	5	6.50	Fl.75
AKZO C	Fl.110	1083	5.50B	237	9B	20	10.50	Fl.97
AKZO P	Fl.80	437	4.50B	41	5	46	8.10	"
AMEV C	Fl.55	124	1.20	1	1.80B	12	3	Fl.44.20
AMEV P	Fl.60	224	18	15	18A	1	18.50A	"
AMRO C	Fl.65	202	3.70	12	5.50B	2	6.90A	Fl.63
AMRO P	Fl.75	49	12.50	—	—	—	—	"
ELSEVIER C	Fl.45	890	3.80	57	4.20B	8	5.80	Fl.42.80
ELSEVIER P	Fl.50	160	9.50A	10	10.50A	—	—	"
GIST-BROC. C	Fl.45	5	0.90	302	2	—	—	Fl.31.40
GIST-BROC. P	Fl.45	57	15	—	—	—	—	"
HEINEKEN C	Fl.140	144	9.60	9	12.80	—	—	Fl.135.50
HEINEKEN P	Fl.110	82	4.30	23	6	—	—	"
HOOGOVENS C	Fl.30	199	4.30	85	4.80	—	—	Fl.30
HOOGOVENS. P	Fl.30	74	3.50B	3	5A	—	—	"
KLM C	Fl.35	667	2.70	69	3.80	290	4.70	Fl.31.40
KLM P	Fl.30	360	3	31	3.70	—	—	"
NEDLLOYD C	Fl.140	125	7	12	12	1	14	Fl.129
NEDLLOYD P	Fl.110	104	6.50	—	—	—	—	"
NAT NED C	Fl.55	269	3.60	106	4.80	28	5.90	Fl.52.80
NAT NED P	Fl.60	44	9B	—	—	8	10.50B	"
PHILIPS C	Fl.35	1195	2	390	3.70	94	3.70	Fl.32.20
PHILIPS P	Fl.30	419	2	44	3.20	25	4	"
ROYAL DUTCH C	Fl.220	857	9.60	101	16	124	18	Fl.209
ROYAL DUTCH P	Fl.250	1152	42B	—	—	205	50	"
ROBECO C	Fl.90	9	6	52	7.50	—	—	Fl.84.70
ROBECO P	Fl.100	279	15.30	2	19	—	—	"
UNILEVER C	Fl.120	651	5.20	106	10.80	3	12	Fl.108.70
UNILEVER P	Fl.100	563	6.50B	61	12	71	16	"

TOTAL VOLUME IN CONTRACTS: 64,648

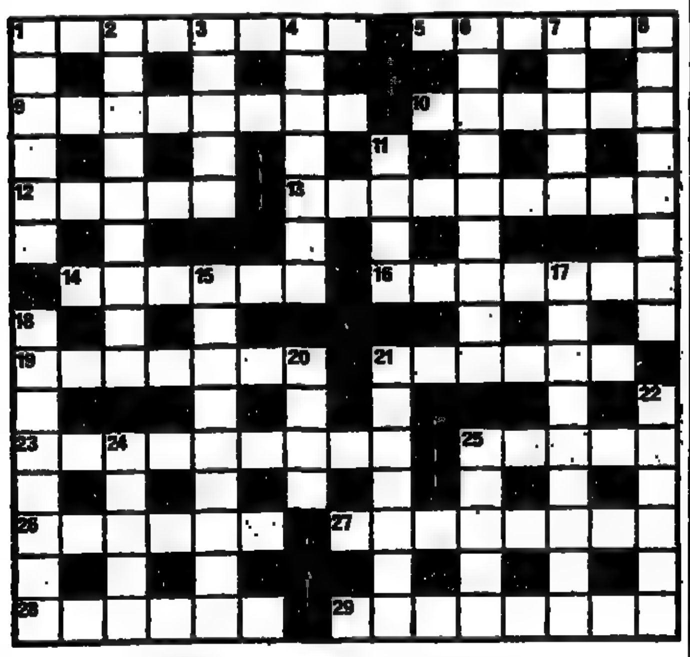
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	★9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'r'l Tst C'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9½	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9½	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank. Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10½	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Caper Ltd	9	Mt Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. ★ 7-day deposits 4%. Sureside 6.66%. Top Tier—£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%.

FT CROSSWORD No.6,481
SET BY ORIGAMI



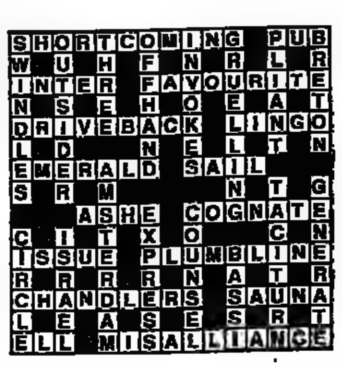
ACROSS

1 Group that is into earthy tones (8)
5 Boys have second duck in slices (6)
9 See a man around Morecambe like an apache (8)
10 Conditions over the water (6)
12 The way to drink when out of condition (5)
13 A cricket club remake rolls to go with tea (5,4)
14 The point in explosive jewellery (6)
16 Silver fox confuses a Cruft ring (3,4)
19 Is able to say goodbye in song (7)
21 The tenor of revolutionary oriental rings (6)
23 Eternally young and spruce (9)
25 Aged that is a veteran (5)
26 Makes use of Salvia cutting (6)
27 Upper class is into tiles uses (8)
28 Lure net worked with hard water (6)
29 Pops the question but Rose pops shattering answer (8)

DOWN

1 Vulgar type of music? (6)
2 Proportion in open-heart surgery (9)
3 Green one found in the basilica (5)
4 Preachy stranger from a foreign province (7)
6 The pussy and a fowl may go to sea (9)
7 Way out art left upper class confused (5)
8 Factions held us over money, possibly criminals (8)
11 A little miser fleeces peasant (4)
15 Gospel spouting good guy in vice tangle (9)
17 Making duck act in rhymes is more than one way out (9)
18 Produce steel that is in a container (8)
20 Part of hectare and acre (4)
21 Home counties pact right for governor (7)
22 Sees about poles feelings (6)
24 To start with stick up or perform (5)
25 Deck held or cut (4)

Solution to Puzzle No.6,480



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd —Contd.

Gilt	94.8	95.2	-0.2	7.25
(Accum Units)	112.6	113.1	-0.4	7.25
Global Fund	37.8	40.0	+1.4	0.86
(Accum Units)	37.8	40.0	+1.4	0.86
High Income Fund	44.2	46.7xd	+2.1	5.62
(Accum Units)	45.4	48.0xd	+2.2	5.62
High Interest Fund	47.1	49.8xd	+0.6	9.04
(Accum Units)	48.6	51.4xd	+0.7	9.04
Income	96.5	102.1	+7.0	4.30
(Accum Units)	111.6	118.0	+8.0	4.30
International	230.2	243.5	+4.9	2.00
(Accum Units)	287.9	304.6	+5.5	2.00
Japan	161.0	170.3	+5.9	2.13
(Accum Units)	165.1	174.7	+5.9	2.13
Pacific Fund	32.7	34.5	+0.9	0.20
(Accum Units)	32.7	34.5	+0.9	0.20
Recovery	228.6	241.8xd	+19.9	3.16
(Accum Units)	250.2	264.7xd	+21.7	3.16
UK Smaller Co's Fund	42.5	44.9	+5.4	2.22
(Accum Units)	43.0	45.4	+5.4	2.22

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Nov 11	405.0	411.05	—	1.64

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	41.6	44.2	+1.4	6.79
Accum Units	42.1	44.7	+1.4	6.71
UK Growth Fund Acc.	40.7	42.9	+1.6	2.33
Global Income Fund	43.1	45.8	+0.3	4.37
Accum Units	43.1	45.8	+0.3	4.37
Global Growth Fund	34.1	36.2	+0.9	0.69

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	85.8	92.0	+3.8	1.60
(Accum Units)	118.9	126.1	+5.4	1.60
Commodity & Gen.	127.3	135.1xd	+1.7	1.99
(Accum Units)	183.4	194.6	+2.5	1.99
European Growth	89.9	95.3	+1.4	1.47
(Accum Units)	108.3	115.1	+1.7	1.47
Extra High Inc.	63.6	67.3xd	+0.6	7.40

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	92.4	98.4	+2.7	1.28
PM Income and Growth	82.2	87.5	+2.6	3.77
PM N American Growth	39.5	42.0	+1.0	0.48
PM European Growth	35.7	37.9	+0.5	0.82
PM Japan Growth	56.4	59.9	+1.0	0.44
PM Overseas Growth	40.5	43.0	+0.8	0.60

Prudential Holborn Unit Trusts Ltd(a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL. 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	51.0	54.0	—	0.56
Holborn Equity Income	54.6	58.4xd	—	4.41
Holborn Equity Tst	430.2	454.2xd	—	3.11
Holborn European Tst	85.2	90.1	—	0.94
Holborn High Inc Tst	70.8	76.1xd	—	5.67
Holborn Intl Gwth Tst	86.2	92.6	—	0.94
Holborn Intl Rec Co	96.4	99.1	—	0.06
Holborn Japanese Tst	105.8	113.6	—	0.05
Holborn N. Amer Tst	60.6	64.8xd	—	0.73
Holborn Premier Inc	45.2	47.5	—	7.33
Holborn Sml Cos Tst	53.9	57.9xd	—	2.01
Holborn Spec Sits Tst	64.4	68.9	—	2.12
Holborn UK Growth Tst	78.0	83.8	—	2.23

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	477.7	505.8xd	—	1.91
Quadrant Income	254.6	269.5	—	4.91
Quadrant Intl. Fund	314.5	332.9	—	1.51
Quadrant Spec. Sits.	304.0	321.7	—	1.81

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent. 0892 510033

British Life	179.5	190.8xd	+7.9	3.57
Reliance Unit Tst (Inc)	119.9	127.5xd	+4.7	2.72
Reliance UK Tst (Acc)	162.3	172.6	+6.4	2.72

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	34.6	37.9	—	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99 13/16	97 13/16	Treas 7¾pc 1985-88‡‡	99 13/16	.....	7.77	8.49
102¼	99 13/16	Exch 10½pc '88	100 13/16xd	–1/32	10.41	8.66
101 13/16	98 13/16	Treas 9¾pc Cv '88	100 13/16xd	–1/16	9.69	8.62
97 13/16	93 7/16	Transport 3pc '78-88	97¾	–1/16	3.07	6.62
101½	98 7/16	Treas. 9½pc '88	100⅝	–1/16	9.44	8.69
105 13/16	101 1/16	Treas 11½pc 1989	103 1/16	–1/16	11.15	8.75
102 3/16	97 13/16	Treas 9⅝pc Cnv 1989	101 1/16	–1/16	9.39	8.63
96⅛	89¼	Treas 3pc 1989	95 11/16xd	–⅛	3.13	6.00
104⅝	99 13/16	Treas 10½pc 1989	102 1/16xd	–1/16	10.24	8.76
103 1/16	98½	Exch 10pc 1989	101 13/16	–1/16	9.82	8.78
105¾	100 1/16	Exch 11pc 1989	103 13/16	–1/16	10.60	8075
96¼	89 1/16	Treas 5pc 1986-89	95 11/16	–1/16	5.22	7.39
106 1/16	99 13/16	Exch 10¼pcCv '89	105 1/16xd	+1/16	9.72	7.28
111 3/16	104 13/16	Treas 13pc 1990‡‡	107 13/16	–1/16	12.09	8.79
106½	100 13/16	Exch 11pc 1990‡‡	104 1/16	.....	10.56	8.86
110 1/16	103 13/16	Exch. 12½pc 1990	107 1/16	–1/16	11.62	8.87
92 13/16	84½	Treas. 3pc 1990	92¼xd	–⅛	3.25	6.37
100 3/16	93 13/16	Treas 8¼pc 1987-90‡‡	99 3/16xd	–1/16	8.30	8.53
105	97½	Treas. 10pcCv 1990	102 13/16	–1/16	9.72	8.83
91 3/16	81 1/16	Exch 2½pc 1990	90 1/16xd	–1/16	2.78	6.17
110⅝	102 13/16	Treas 11¾pc 1991	107⅝	–1/16	10.92	8.89
95 1/16	87¾	Funding 5¾pc '87-91‡‡	93⅞xd	–⅛	6.12	7.79
90 1/16	80¼	Treas. 3pc 1991	89 1/16xd	–1/16	3.35	6.38
110⅝	98½	Treas 10pc Cv '91‡‡	105 13/16	–1/16	9.48	8.20
109⅝	101 13/16	Exch. 11pc 1991	107 1/16	–1/16	10.27	8.82
99	91 13/16	Treas. 8pc 1991	97⅜xd	.....	8.21	8.76
116 1/16	107 1/16	Treas 12¾pc 1992‡‡	113 1/16	–1/16	11.25	8.83
106 1/16	97 13/16	Treas 10pc 1992	103 13/16	–¼	9.62	8.84
99⅛	90 13/16	Treas. 8pc 1992‡‡	97⅞	.....	8.70	10.25
108 13/16	99⅛	Treas 10¼pc Cv 1992‡‡	105 13/16xd	–1/16	9.91	8.86
86⅞	79 1/16	Treas. 3pc 1992	85 13/16xd	–13/16	3.74	8.03
115⅞	105 13/16	Exch. 12¼pc '92	112 1/16	–⅛	11.25	8.83
121 1/16	110 13/16	Exch 13½pc 1992	117 13/16	–1/16	11.48	8.93
		Five to Fifteen Years				
107 1/16	97 1/16	Treas 10pc 1993‡‡	104 1/16	–1/16	9.56	8.91
118 1/16	107½	Treas 12½pc 1993‡‡	115 13/16	–1/16	10.89	8.95
95⅞	82⅛	Funding 6pc 1993‡‡	93⅛	.....	6.55	7.81
125 1/16	113¾	Treas 13¾pc 1993‡‡	121 13/16	–1/16	11.32	9.04
129 13/16	117½	Treas 14½pc 1994‡‡	125 13/16	–1/16	11.52	9.03
124 13/16	112 13/16	Exch 13½pc 1994	121 1/16	+1/16	11.15	9.11
107⅝	97 1/16	Treas. 10pc Ln. 1994‡‡	104⅞xd	+1/16	9.59	8.99
120 1/16	106 13/16	Exch. 12½pc 1994	116¾	–1/16	10.71	9.12
103¼	92 13/16	Treas 9pc 1994‡‡	100 13/16	–1/16	8.96	8.91
118¼	105 1/16	Treas 12pc 1995	114 13/16	–1/16	10.45	9.13
84¼	76	Exch 3pc Gas 90-95	81 1/16	–1/16	3.66	6.03
109 1/16	97⅛	Exch. 10¼pc 1995	106⅛	–1/16	9.65	9.09
123 13/16	110 1/16	Treas 12¾pc 1995‡‡	120¼	–1/16	10.60	9.12
130 13/16	116¼	Treas. 14pc '96	126 1/16	–1/16	11.06	9.27
102 13/16	92	Treas. 9pc 1992-96‡‡	99⅞	–1/16	8.98	8.95
139 1/16	123 13/16	Treas 15¼pc 1996‡‡	134 1/16	–1/16	11.35	9.29
127 13/16	113 1/16	Exch 13¼pc 1996‡‡	123 1/16	–1/16	10.75	9.20
89⅛	81⅛	Redemption 3pc 1986-96	86	–1/16	3.49	4.95
108 1/16	95⅝	Conversion 10pc 1996	104⅝xd	–1/16	9.55	9.20
128 13/16	113½	Treas 13¼pc 1997‡‡	124	–1/16	10.68	9.28
111 13/16	98¼	Exch 10½pc 1997	107 1/16	–1/16	9.75	9.22
101 1/16	88 13/16	Treas 8¾pc 1997‡‡	97 13/16	+1/16	8.95	9.10
140 1/16	123 13/16	Exch 15pc 1997	135 1/16	–1/16	11.08	9.44
106 13/16	93 1/16	Exch. 9¾pc 1998	103 1/16	–1/16	9.46	9.26
88 13/16	78	Treas 6¾pc 1995-98‡‡	85⅝xd	–1/16	7.86	8.84
145 13/16	128 1/16	Treas. 15½pc '98‡‡	140 1/16	–1/16	11.02	9.43
122 13/16	107 1/16	Exch. 12pc 1998	117⅝	–1/16	10.18	9.35
106 13/16	92 13/16	Treas 9½pc 1999‡‡	102¼	–1/16	9.28	9.15
124 13/16	109 1/16	Exch. 12¼pc 1999	119⅞	–1/16	10.21	9.35
113	98⅞	Treas. 10½pc 1999	108⅝xd	–1/16	9.68	9.28
111 1/16	96 13/16	Conversion 10¼pc 1999	106 13/16xd	–1/16	9.59	9.28
100¼	86 13/16	Tr 8½pc Ln 2000‡‡	97 1/16	–1/16	8.84	9.01
103 1/16	89½	Conversion 9pc 2000‡‡	99	–1/16	9.09	9.15
131⅛	114⅝	Treas. 13pc 2000	126	–1/16	10.31	9.41
110 1/16	95 13/16	Treas 10pc 2001	105 13/16	–1/16	9.45	9.22
134 13/16	118 13/16	Treas. 14pc '98-01	129 13/16xd	–1/16	10.79	9.47
108 13/16	93 13/16	Conversion 9¾pc 2001	104 1/16	.....	9.38	9.22
122⅝	107	Exch. 12pc '99-02	117 13/16	.....	10.18	9.37
110 13/16	96	Conversion 10pc 2002	106¼	–1/16	9.43	9.22
109	94 1/16	Treas 9¾pc 2002	104	–1/16	9.36	9.21
		Over Fifteen Years				
105	89	Exch. 9pc 2002	98⅝xd	–1/16	9.11	9.15
136 13/16	119 13/16	Treas. 13¾pc 2000-03	131 1/16	–1/16	10.47	9.45
111 1/16	96¼	Treas 10pc 2003	106 13/16	+1/16	9.36	9.16
121 13/16	105¼	Treas. 11½pc 2001-04	116 1/16	–1/16	9.86	9.29
111 13/16	96 13/16	Treas. 10pc 2004	107 1/16xd	–1/16	9.33	9.14
59⅞	51¼	Funding 3½pc '99-04	58⅛	–1/16	6.02	8.12
107 13/16	92⅞	Conversion 9½pc 2004	103⅛	+1/16	9.22	9.14
107⅝	92 13/16	Conversion 9½pc 2005	103 1/16	+1/16	9.20	9.12
116⅝	101 1/16	Exch. 10½pc 2005	112¼	–1/16	9.37	9.11
132 13/16	115	Treas. 12½pc 2003-05	127⅞xd	–1/16	9.82	9.20
94 13/16	81¼	Treas. 8pc 2002-06‡‡	90 1/16	+1/16	8.85	9.06
110⅝	95	Conversion 9¾pc 2006	105 1/16xd	+1/16	9.26	9.13
126¼	108 13/16	Treas. 11¾pc 2003-07	120 13/16	+1/16	9.74	9.19
99 1/16	85 1/16	Treas 8½pc 2007‡‡	95 1/16	+1/16	8.93	9.06
142 1/16	123 1/16	Treas. 13½pc '04-08	136 1/16	+1/16	9.91	9.18
104 13/16	89 13/16	Treas. 9pc 2008‡‡	99 13/16	+1/16	9.03	9.01
102	90⅛	Treas. 9pc Ln 2008 'A'	99 13/16	–1 1/16	9.02	9.02
94 13/16	81 1/16	Treas 8pc 2009	90 1/16	+1/16	8.84	8.99
101 13/16	89⅛	Conv 9pc Ln 2011	97 13/16	+1/16		
69⅛	59⅛	Treas. 5½pc 2008-12‡‡	66 1/16	+1/16	8.24	8.81
91⅞	79 1/16	Treas. 7¾pc 2012-15‡‡	87⅛	+1/16	8.88	8.97
134 13/16	116 1/16	Exch. 12pc '13-'17	129 1/16xd	+1/16	9.30	9.07

BRITISH FUNDS—Contd

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
45⅝	39 13/16	Consols 4pc	44½	+1/16	9.00	—
41 1/16	34 13/16	War Loan 3½pc‡‡	40 1/16xd	+1/16	8.74	—
52 1/16	46½	Conv. 3½pc '61 Aft.	51¼	–⅛	6.83	—
34 1/16	29 13/16	Treas. 3pc '66 Aft.	33 1/16	+1/16	8.97	—
29 1/16	24 13/16	Consols 2½pc	28 1/16	+⅛	8.88	—
29 1/16	24 13/16	Treas. 2½pc	28 1/16	+⅛	8.86	—
		Index-Linked (b)			(1)	(2)
132 13/16	125¾	Treas. 2pc '88 (297.1)	132⅞xd	.....	—	—
119⅝	108 13/16	Do. 2pc '90 (333.9)	118 13/16	–1/16	0.44	1.77
101¼	93⅝	Do. 2pc '92‡‡ (385.8)	99⅞	–⅛	1.61	2.51
129 13/16	119 1/16	Do. 2pc '96 (267.9)	127¾	–½	3.38	3.74
111¼	96⅛	Do 2½pc '01 (308.8)	107¼	–⅛	3.73	4.00
110	94⅛	Do. 2½pc '03 (310.7)	105xd	–⅛	3.75	4.00
113 1/16	94 13/16	Do. 2pc '06 (274.1)	105⅝	–1/16	3.83	4.03
108	89 1/16	Do. 2½pc '09 (310.7)	99¼xd	–½	3.83	4.02
113 13/16	93 1/16	Do. 2½pc '11 (294.1)	103¼	–⅛	3.81	3.99
95 1/16	76 13/16	Do. 2½pc '13 (351.9)	86 1/16	–13/16	3.76	3.93
103 1/16	83⅝	Do. 2½pc '16 (322.0)	93 13/16	–1	3.70	3.87
101 1/16	81⅝	Do. 2½pc '20 (327.3)	92⅞	–½	3.62	3.78
86 13/16	68 1/16	Do. 2½pc '24‡‡ (385.3)	78 1/16	–13/16	3.59	3.68

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for February 1987: 100.4 and for September 1987: 102.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅝	97¼	African Dv Bk 11¼Ln 2010	107⅝	+⅛	10.32	10.22
109⅝	93	Asian Dev Bk 10¼pcLn2009	103	.....	9.95	9.91
136	117⅛	Australia 13½pc 2010	128⅞	+⅛	10.48	10.20
118¼	100½	Do. 11½pcLn2015	111¼	+⅛	10.24	10.16
115⅝	99⅝	Euro Inv Bk 11pc Ln 2002	109¾	+⅛	10.02	9.74
110⅝	94⅞	Do. 10¼pc2004	104⅞	.....	9.89	9.77
126¼	109⅝	Int-Am Dev Bk 12½pc 2003	119½xd	+⅛	10.46	9.96
104⅝	88⅛	Do. 9¼pcLn 2015	98⅛	+⅛	9.94	9.94
97¾	83	Mlysia 10¼pcLn 2009	94½xd	–⅛	11.35	11.39
115	98¼	NZ 11½pc 2008	109⅞xd	+⅛	10.31	10.18
123¼	100⅞	Do 11½pc 2014	112⅛	+⅛	10.26	10.16
130⅝	100 1/16	Sweden 13½pc Ln 2010	129¾	+⅛	10.40	10.10
102⅞	96½	Utd. Mexican States 16½pc	102⅝xd	+⅛	16.10	12.91

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅝	103	Birmingham 13½pc 1989	107½xd	.....	12.60	9.53
119	100½	Do. 11½pc 2012	108⅞xd	+⅛	10.56	10.49
95⅝	82½	GLC 6¾pc 1990-92	89½xd	.....	7.54	10.60
132½	115	Leeds 13½pc 2006	117¼	.....	11.51	13.94
32	22	Liverpool 3½pc Irred.	30xd	.....	11.67	—
96	85	LCC 6¾pc '88-90	94	.....	7.18	10.00
31½	21	Do. 3pc '20 Aft.	29½xd	.....	10.17	—
115	103½	Manchester 11½pc 2007	105xd	.....	10.95	10.80

COMMONWEALTH & AFRICAN LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92¾	81¼	NZ 7½pc 1988-92	91½	.....	7.92	10.09
205	165	S Rhod 2½pc Non-Assd	205	.....	—	—
78	65	Do. 4½pc 87-92 Assd.	77	.....	—	—
130	70	Zimbabwe Ann (£100pa)	89	+1	—	—

LOANS

Building Societies

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101½	100	N'wide 11½pc 23.11.87	100 1/16	.....	11.49	9.53
101 13/16	100	Do. 11 1/16pc 21.12.87	100 1/16	.....	11.54	9.30
101⅝	100 1/16	Do. 11¼pc 18.1.88	100¼	.....	11.10	9.17
101½	99	Do. 10 13/16pc 15.2.88	100 1/16xd	.....	10.71	9.17
101 1/16	99⅝	Do 10½pc 7.3.88	100 13/16	.....	10.46	9.06
101 1/16	99⅝	Do. 9 13/16pc 11.4.88	100 1/16	.....	9.92	9.03
102	98	Do. 9 13/16pc 3.5.88	100 1/16xd	.....	9.66	9.01
101	98⅛	Do. 8¾pc 23.5.88	99 13/16xd	.....	8.88	8.98
100 1/16	98 1/16	Do. 8 13/16pc 20.6.88	99 13/16	.....	8.95	9.01
100⅝	98 13/16	Do. 9⅝pc 11.7.88	100 13/16	.....	9.59	8.97
100 13/16	99	Do. 10pc 1.8.88	100⅝	.....	9.94	8.97
101¼	99⅝	Do 10 1/16pc 22.8.88	101 1/16	.....	10.45	8.97
102⅝	84	Do. 3¾pcIL Ln 2021	93⅞	.....	4.32	4.46

Public Board and Ind.

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92½	84	Agric. Mt. 5pc '59-89	89	.....	5.60	10.60
48	38½	Met. Wtr. 3pc 'B'	45xd	.....	6.67	9.90

Financial

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103⅝	97⅛	Inv in Ind 11pc Uns.Ln '88	99⅝	.....	11.06	11.70
107	99	Do. 11¼pc Uns.Ln. '90	101	.....	11.63	11.80
98½	80½	Do 7¼pcADb89-92	90	.....	8.06	10.80
113½	103	Do. 12½pc Uns. Ln. 1992	106	.....	11.79	11.00
98½	81½	Do. 7¾pcA '91-94	88	.....	8.24	7.80
101½	89⅛	Do. 9pcA '91-94	96	.....	9.38	9.90
100	85⅛	Do. 6¾pcLn '92-97	98¼	.....	9.61	8.20

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.	45xd	.....	3.50	17.42
52	40	Do. 6pc 28 Stb. Ass.	45xd	.....	3	16.37
50	45	Do 4pc Mixed Ass.	45xd	.....	2	14.44
66	58	Hung. '24 Ass	65	.....	2.75	14.23
146½	122⅞	Hydro Quebec 15pc 2011	139⅞	+½	15.00	10.43
136¼	115½	Iceland 14½pc Ln 2016	127⅝xd	.....	14.50	11.24
103½	94	Ireland 9¾pc '91-96	100½xd	+½	9.75	10.87

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	24⅞	Abbott Laboratories‖	26⅞	+1⅛	$1.00	—	2.1
40⅛	20⅛	Alcoa $1	23¼	+⅛	$1.20	—	2.9
18⅞	529p	♦Allegheny & W $3.07	565p	+41	30c	—	3.1
19 1/16	7 13/16	Amax $1	9 1/16	+1/16	—	—	—
30⅛	13½	Amdahl 5c	16	+⅛	20c	—	0.7
35⅝	18⅞	Amer. Cyanamid $5	20½	+½	$1.05	—	2.9
25 1/16	12½	Amer. Express $0.60	13¾xd	+⅞	76c	—	3.3
12½	645p	Amer. Medical Int. $1	673p	–7	♦72c	—	6.2
22½	14¼	American T. & T. $1	16¼	+⅛	$1.20	—	4.2
65½	43½	Ameritech $1	48⅛	+1	h$4.72	—	5.6
24⅝	14¼	Amfack	15½	.....	—	—	—
25	16	Anheuser-Busch $1	16⅞xd	+½	$2.00	—	6.8
98p	36p	♦AridTech‖	36p	.....	—	—	—
10⅛	4⅛	BankAmerica $1 1/16	4⅞	.....	—	—	—
34⅝	16⅞	Bankers N.Y. $10	17¼	+⅛	$1.66	—	5.6
652p	179p	BASIX Corp.	198p	–5	12c	—	3.5
49½	36⅛	Bell Atlantic $1	39¼	+⅛	$3.84	—	5.6
27	18	BellSouth Corp.	21⅞	+⅛	$2.04	—	5.4
11 13/16	4⅛	♦Bethlehem Steel $8	6⅞	–⅛	—	—	—
20½	748p	Bio-Rad Labs. Inc. 'A'	799p	+24	—	—	—
27⅝	13⅛	Bowater Inc.	13⅞	+⅛	80c	—	3.3
21⅞	12 1/16	Browning-Ferris 16⅔c	14 1/16xd	+1/16	b40c	—	1.6
18⅝	8 1/16	Brunswick $0.75	9⅛	.....	30c	—	1.9
36⅛	19⅝	CPC Intnl. 25c	20⅞xd	+⅛	h$1.24	—	3.4
25⅛	13⅝	CSX Corp U.S.$1.00	14⅛	+½	$1.16	—	4.7
25⅛	13⅛	CalFed Inc $1.00	13½	.....	$1.20	—	5.1
43 13/16	29⅝	Campbell Soup 30c	32⅞	+1⅛	$1.68	—	2.9
45⅛	24⅞	Caterpillar Inc $1.00	31⅛xd	+1½	50c	—	0.9
28⅝	15⅛	Chase Manhattan $12.5	15⅜xd	+⅛	$2.16	—	8.1
32⅝	15	Chemical New York	16⅛	+½	$2.72	—	9.5
29½	12 1/16	Chrysler $6¼	12 1/16xd	–1/16	♦$1.00	—	4.6
21⅝	562p	Citicorp $1	11⅞xd	–⅛	$1.23	—	6.2
886p	237p	CityFed Fin. Corp.	254p	+16	4c	—	0.9
33	21⅞	Colgate-Palmolive $1	21⅞	+⅛	$1.48	—	3.9
10⅛	462p	Colt Inds. $1	537p	–6	—	—	—
25⅝	14⅛	Cons Freightways $0.625	15⅝	–⅛	82c	—	3.1
398p	160p	Contl Illinois Corp $1	169p	+1	—	—	—
53½	14p	Contl Illinois Hldgs $1	14p	.....	8c	—	32.9
266p	98p	♦Corporate Data Scnce	128p	–10	—	—	—
831p	334p	Collinet Silvr $0.1	346p	+4	—	—	—
45p	14p	Damson Oil 40c	14p	.....	—	—	—
33⅞	19⅝	Dana Corp. $1	19 1/16	+1/16	$1.44	—	4.2
25⅛	11½	Data General	11½	–1⅞	—	—	—
140p	78p	♦Derma-Lock Medical	84p	.....	—	—	—
44½	26⅞	Dun & Bradstreet $1	27¼	+⅞	$1.50	—	3.2
66 13/16	34 1/16	Eaton Corpn. 50c	36 1/16xd	+1/16	$2.00	—	3.1
22⅝	15⅛	FPL Group $0.01	17⅛	+⅛	$2.12	—	7.1
22½	11⅝	First Chicago $5	12⅛	+⅛	$1.50	—	6.8
69⅝	40	Ford Motor $2	40½	+⅛	$3.00	—	4.3
31⅛	19⅛	GATX 62½c	20⅞xd	+⅛	$1.50	—	4.2
40⅝	24 1/16	Gen. Elect. $0.63	26⅝	+2⅛	$1.32	—	2.9
10⅝	447p	♦General Host Corp $1	466p	+12	22c	—	2.7
27⅛	14 1/16	Gillette $1	16⅞	+⅞	76c	—	2.6
15⅛	645p	Gt Am First Svgs Bk $1	763xd	+36	♦60c	—	4.5
28 1/16	13⅛	Greyhound $1.50	14	.....	$1.26	—	5.2
16⅛	616p	Hasbro Inc $0.50	664p	+21	9c	—	0.8
15½	7⅛	Home Group $1	7 1/16	–⅛	20c	—	1.6
56 13/16	28⅞	Honeywell $1.50	31 13/16	–⅛	$2.10	—	3.8
31⅝	15	Hospital Corp Am $1	19⅛	+⅛	72c	—	2.2
29⅝	16½	Houston Inds.‖	17⅛	+⅛	$2.88	—	9.5
110	62	IBM Corpn $1.25	67⅛xd	+1⅛	$4.40	—	3.8
25⅛	15⅛	IC Industries	16⅛xd	+⅛	88c	—	3.1
41 13/16	26⅛	ITT Corpn. $1	27⅛	+1⅛	$1.00	—	2.1
253p	85p	♦Image Storage/R.Sys.$.1	98p	.....	—	—	—
28⅛	14 1/16	Ingersoll-Rand $2	16⅞xd	+1⅛	$1.04	—	3.5
16½	885p	Inaico $1	890p	–5	$1.00	—	6.5
12⅝	7 1/16	IU Intnl. $1.15	7⅛xd	+⅛	60c	—	4.7
36½	20⅛	Lockheed Crpn. $1	22¼xd	+⅛	$1.40	—	3.6
25 13/16	11⅛	Lone Star Inds $1	12	+⅛	$1.90	—	9.1
27 1/16	16	Louisiana Land $0.15	17 1/16	+⅛	$1.00	—	3.3
21	979p	Lowe's 50c	11⅛xd	+⅛	44c	—	2.3
39⅛	15⅛	Manuf. Hanover $7½	15⅛xd	–⅛	$3.28	—	12.0
30⅛	12⅝	Merrill Lynch $1	12 13/16xd	+⅛	$1.00	—	4.5
35⅝	15⅛	Molex Inc.	18⅛	.....	2c	—	—
33 1/16	16⅛	Morgan (JP) $2.5	19⅛xd	–⅛	$1.36	—	4.1
48	36⅛	NYNEX $2	38⅛	+⅛	h$3.48	—	5.2
28	15⅛	PHH	15⅛	+⅛	$1.08	—	4.1
25⅛	17⅛	Pacificorp $3.25	18⅞	+⅛	$2.52	—	7.8
20⅝	13½	Pacific Telesis $0.10	15⅛	+⅛	h$1.64	—	6.0
26⅞	12⅛	Pall Corp. 25c	13⅛xd	+⅛	34c	—	1.4
56⅞	26⅞	Pennzoil 83c	37⅛	+1 13/16	$2.20	—	3.4
30 1/16	17 1/16	Pillsbury‖	17 1/16	–⅛	$1.12	—	3.7
11⅞	780p	Premark Intl.	13⅛	+⅛	032c	—	1.6
51	14⅛	Primerica $1.00	14⅛	–⅛	$1.60	—	6.2
38⅛	22⅞	Quaker Oats $5	24xd	+1⅛	h80c	—	1.9
43⅛	26	RJR Nabisco Inc.	28⅛xd	+⅛	$1.60	—	3.3

Continued on next page

Royal Life Intl. Ltd

Strongfield Investment Mngrs Ltd
11 Myrtle Street, Douglas, IoM 0624 20845

Sun Alliance International Life
PO Box 77, St Peter Port, Guernsey 0481 23070

TSB Trust Funds (CI)

Union-Investment-Gesellschaft GmbH
Postfach 16767, D 6000 Frankfurt 16.

Viking Fund—SICAV

Warburg Investment Management Jersey Ltd
39-41 Broad St, St Helier, Jersey, CI 0534 74715

Adam & Co. plc
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484

Allied Arab Bank Ltd
97-101 Cannon St, London, EC4N 5AD 01-489 6802

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21½	Rep NY Corpn $5	22⅞	+¼	$1.16	—	3.0
18¾	8⅞	Rockwell Intl. $1	10⅞xd	+¼	66c	—	3.6
30⅞	16¼	Sara Lee $1	19 13/16xd	–¼	$1.00	—	2.9
11⅞	8⅞	Saul (B. F.) $1	9	+⅛	20c	—	1.3
27½	21¼	Southwestern Bell $1	21	+⅝	$2.32	—	6.4
22¼	10½	Staley Continental	10½	–½	80c	—	4.4
44⅞	21⅝	Sun Co. Inc. $1	27½xd	+¼	$3.00	—	6.3
42⅝	22¼	TRW Inc. $0.625	25⅝xd	+¼	$1.60	—	3.6
37⅝	22⅝	Texaco $5	23⅛xd	+¼	$3.00	—	7.6
220	149½	Do. 10pcLn.Stk. 91-5	150xd		10%	—	14.7
29⅝	16⅛	Texaco $6.25	16⅞xd	+¼	$3.00	—	10.5
74⅞	43⅜	Time Inc. $1	44⅞xd	+1⅛	$1.00	—	1.3
20⅞	11	Tracor $0.33	17¼xd	–½	40c	—	1.3
30¼	15⅞	Transamerica $1	18⅞xd	+⅞	$1.84	—	5.7
14½	1¼	Transworld Corp $5	620p	+72	20c	—	1.4
27½	12¼	TRINOVA Corp.	14⅞xd	–¼	56c	—	2.3
24⅞	12⅝	♦USX $1	15⅞	+⅛	$1.20	—	4.3
19⅝	10⅞	Union Carbide $1	11½xd	+⅛	$1.50	—	7.5
37⅝	18⅜	Utd. Technologies	19⅞xd	+⅞	$1.40	—	4.1
38⅝	26⅛	US West‡	28½	+¼	$3.28	—	6.6
30½	17⅛	Waste Management $1	20	+⅛	—	—	—
31⅞	13⅞	Whirlpool $1.0	14⅝	+¼	—	—	—
37⅝	18⅛	♦Woolworth $3½	19⅞	+⅞	$1.32	—	3.9

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES—Continued

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*£11¼	733	Prudential	838	+53	†29.0	—	4.7	—
598	350	Refuge 5p	398	+30	15.75	—	5.5	—
595	345	Royal	383	–5	†u15.5	—	5.5	—
110	85	Saltire Ind. Invs.	95	+2	—	—	—	—
*345	168	Sedgwick Group 10p	197	+10	12.0	1.7	8.3	8.4
339	198	Steel Burrill J.10p	138	.....	19.0	2.0	8.9	7.7
668	403	Stewart Wr. 20p	628	.....	‡13.0	2.0	2.9	21.9
612	303	Sturge Hldgs 20p	313	+10	†16.0	2.5	2.6	20.5
£12⅞	645	Sun Alliance	823	+10	†23.5	—	3.9	—
£13	865	Sun Life 5p	885	+5	†28.5	—	4.4	—
£69½	£36½	♦Taisho M EDR	£36½	.....	q010%	—	1.2	—
£22¼	£14½	Torchmark $1.00	£15	.....	Q$1.00	—	3.8	—
410	235	Trade Indemnity	350	.....	†4.3	—	1.7	—
£34	£19¾	Travelers $1.25	£19¾	.....	$2.38	—	6.8	—
£30¼	£17½	USF & G Corp $2.50	£18⅞	+⅛	Q$2.48	—	7.7	—
£33⅞	£16½	USLIFE Corp. $1.0	£17¼	+⅛	Q$1.28	3.2	4.1	7.5
738	555	‡Utd Friendly B 10p	630	.....	21.0	—	4.6	—
464	202	Willis Faber 12½p	224	–4	†10.75	2.4	6.6	8.5
128	41	♦Windsor Secs. 10p	69	+2	†0.7	1.5	1.4	—

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¥ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	73	.....
Craig & Rose £1	780xd	.....
Finlay Pkg. 5p	83	+7
Holt (Jos) 25p	£11¼	.....
Nthn. Stn. £1	235	.....
IRISH		
Fund 11¼% 1988	£100⅞	.....
Nat. 9¾% 84/89	£99⅝	.....
Fin. 13% 97/02	£111⅞	.....
Arnotts	250	.....
CPI Hldgs	55	.....
Carrol Inds.	135	+15
Dublin Gas	40‡	+15
Hall (R. & H.)	98	–2
Heiton Hldgs.	40	.....
Irish Ropes	158¼xd	.....
Norish	325	.....
Unidare	358	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp.	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	200
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	35
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	53
NEI	15
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
T&N	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

Account Dealing Dates

*New time dealings may take place from 9.00am two business days earlier.

Recovery in equity sector continued as Government securities recoup early losses

LONDON STOCK markets extended their recovery yesterday as good results from several major UK trading companies and favourable news on UK employment trends fostered the revival in the City's confidence. After a cautious opening, share prices moved up sharply as a firmer US dollar calmed nervousness ahead of the announcement of the latest US Trade figures. Equities closed very firmly, although below the day's best levels.

At the end of the day, the FT-SE 100 Index was 63.2 up at 1702.5. The Index was last above 1700 on October 30, the day of the British Petroleum share sale. It has recovered 8.7 per cent since Monday, when the UK market began to respond to President Reagan's encouraging comments on the US dollar.

Also helping equities at the close were reports from the US that negotiations on the Federal budget deficit could bear fruit very soon. Wall Street, returning to full throttle after Veterans Day, helped the mood with an early gain of 50 points.

While the securities trading houses expressed general confidence, most were cautious regarding the short term outlook. Analysts are wary of standing out against the trend of a market which has shown since Black Monday that it can move with alarming and destructive speed. For the time being, long term views are at a discount.

"It was the dollar-sterling rate which set the pace for equities", commented a trader at a US bank. The City was waiting keenly to see how the exchange markets, returning from holiday closures in the US and many Continental centres, would react to the US budget talks.

The firmer trend in the dollar took the pressure of sterling, and this helped share prices in **ICI**, **Glaxo** and other major exporting company shares. The market advance slowed in early afternoon when the pound slipped off its best levels.

Trading results from **Shell**, **British Petroleum**, and **BOC** were well received. Some UK houses, notably Kleinwort Grieveson, continued to recommend switching from BP and into Shell.

The news that **Trafalgar House** has lifted its stake in Costain joined this week's investment moves by Granada and by General Cinema of the US as an indication of reviving confidence in the equity market. The recent collapse in share prices choked off the City's enthusiasm for market acquisitions.

However, the recovery in the share market is seen as discouraging for fixed interest stocks, because it reduces the prospects that the authorities will feel any need to engineer a further cut in UK bank base rates. While sales of Gilts by the major institutions this week have been small, new cash flows appear to have been returning to the share market. The process is somewhat self-feeding, since a firmer share market has slowed down the "flight to quality" which helped drive bonds ahead over recent weeks.

Government bonds, still faced with this week's supply of £400m new bond issues from the Bank, opened half a point off. However, yields of 9¼ per cent remain very attractive and prices soon steadied as the City awaited the US trade figures. The deficit number was well received by London analysts and bonds steadied, and then edged higher in late dealings. Final quotations for long-dated issues showed net rises of ⅜ or so.

Index-linked Gilts, however, gave up another ½ or so as demand faded away. Traders said there was very little activity in the IL sector.

Rio Tinto Zinc, the mining finance house, surged higher encouraged by a "buy" recommendation from County NatWest, the London securities house. Sector analysts Mr Jeff Ware and Mr Robert Sassoon think the group's fundamentals are stronger than ever and forecast pre-tax profits this year of £691m compared with the 1986 figure of £601.7m.

Other security houses are believed to hold similar bullish views. Trading volume increased noticeably as the price rushed forward to 310p, up 37, and eventually totalled 2.8m shares.

A stock shortage tended to exaggerate a generally firm showing by insurances. In lifes **Legals** jumped 19 more to 279p and **London & Manchester** a further 17 to 234p. A badly handled buying order left **Refuge** 30 higher at 390p.

Composites showed **Royals** finally 5 off at 383p, after an initial rise to 405p, following third quarter profits of £259m compared with estimates ranging from around £270 to £295m; rumours circulating in the market late in the day suggesting possible selling of **Royals** by John Spalvin's Adsteam group who built up a 6 per cent plus stake in Royals earlier in the year, were shrugged aside by dealers. **General Accident** jumped 35 to 843p following a recommendation by brokers County NatWest to switch from Commercials to Generals. Brokers drew further strength from the latest rise by the dollar. **CE Heath**, reporting interim figures on Tuesday, put on 10 to 373p **Dewey Warren** jumped 12 to 119p.

The major Brewers were recommended by more analysts for their defensive qualities and balance sheet strength but investors were not impressed. Only **Guinness** traded in size, gaining 19 to 266p on views that the group has suffered more than most during the recent crash and should also benefit from its method of converting overseas currency.

Building staged a steady rather than spectacular advance from the recent depressed levels. **Blue Circle** attracted revived institutional demand and rose 17 to 353p, while gains of around 7 were seen in **Tarmac**, 228p, and **Redland**, 380p. **BPB Industries** advanced to 282p prior to closing 4 dearer on balance at 277p. Among Construction issues, **Costain** gained 16 to 250p following the announcement that Trafalgar House had increased its stake in the company to 5.4 per cent. **George Wimpey** picked up 8 at 183p, but **Barratt Developments** were a subdued market and settled a penny cheaper on balance at 149p. **Bellway** firmed 4 to 191p in reply to the good annual results and confident statement. **Heywood Williams** revived strongly and rose 16 to 233p and **British Dredging** picked up 22 at 129p.

Major overseas earner **ICI** staged a useful rally and closed ⅛ higher at £10¼. **Laporte** picked up 9 at 385p and **Wardle Storeys** rose 25 to 455p; the latter's annual results are due on Monday.

Stores staged another broad advance but closed off the day's best levels. **Storehouse** picked up strongly to close a net 17 to 259p after news that Malcolm Parkinson, formerlyof Woolworths, has agreed to head up the Storehouse operations if Benlox's bid for the latter succeeds. **Benlox** shares leapt 18 to 56p. **Ratners** attracted further buying interest, closing 11 higher at 245p, while **Next** jumped 21 to 289p. **The Rack** were 20 firmer at 114p after the interim figures.

GEC, little changed at 172½p, continued to underperform the market on renewed worries over the investigation into Marconi and after the slightly altered views on the company taken by a number of leading securities houses over the past couple of days;turnover in GEC topped 22m shares, after Wednesday's 25m turnover. **British Telecom** rose sharply to close 9 higher at 232p on a turnover of 13m with dealers still optimisitic over the sale of the second tranche of Nippon Telegraph and Telephone in Japan.

Elsewhere **Cable & Wireless** - turnover in excess of 5m shares - jumped 27 to 322p following the rally by far eastern markets, news of the £100m sterling commercial paper programme arranged by Morgan Grenfell, and a "buy" recommendation issued by Kleinwort Grieveson's Chris Tucker. Talk of a stock shortage lifted **Racal**, another Kleinwort favourite, 15½ to 222p while a buy recommendation from County NatWest boosted **Thorn EMI** 18 to 482p. Elsewhere, **Apricot Computer** leapt 10 to 95p after the improved interim profits. Lower half-year figures from **Oxford Instruments** were expected by the market and Oxford shares jumped 17 to 192p. **MK Electric**, due to announce interims on Wednesday, jumped 29 to 399p.

The lessening downward pressure on the US currency triggered a strong revival in **TI** and the shares spurted 25 to 258p. **Vickers** also performed well, gaining 17 to 154p, while **GKN** put on 10 at 270p. Secondary Engineerings were not overshadowed and **Camford** jumped 34 to 142p while **Ratcliffe Industries** soared 38 to 138p and **Triplex Lloyd** 22 to 144p. News that **IMI** was to set up a new company with Kitagawa Iron Works to market and eventually manufacture low-cost automation systems in Japan stimulated buying of IMI which finished 12 at 168p. Against the trend, **William Cook** fell 10 to 110p.

Buyers returned for selected leading Food issues. **Tate and Lyle**, a poor performer of late, revived strongly and closed 21 higher at 651p. **Dalgety** picked up 6 at 296p, while recently-oversold **Hillsdown** gained 19 to 244p. **Unigate**, an old takeover favourite, put on 12 to 283p and **Northern Foods** firmed 3 to 251p. **Ranks Hovis McDougall** continued to attract buyers on takeover hopes and rose 10 to 295p; the annual results are expected next Wednesday. Among Retailers, **J. Sainsbury** found support at 225p, up 10, while **Argyll** improved 7 to 192p and **Dee Corporation** firmed 5 to 170p.

BOC shares spurted 22 to 355p in the wake of the 28 per cent jump in preliminary profits to £263.2m, slightly below market forecasts which were commonly around the £265m mark.Preliminary figures showing pre-tax profits of £169.1m, up around 35 per cent on last time's £125.3m and well above market forecasts of around £160m, gave a major boost to **Wellcome** which raced up 42 to 346p. **London International's** interims were at the top end of analysts estimates and the shares bounded 20 to 254p.

Generally favourable comment on the qualified go-ahead for **British Airways** to renew its bid for British Caledonian and further consideration of the better-than-expected interim results saw British Airways shares harden to 145p.

Internationals continued to advance across the board with **Beecham** prominent and finally 20 higher at 450p;the interim results are expected next Thursday. **Glaxo** were up ⅜ at £11 and **Hanson Trust** 8 higher at 134p.

Boots, scheduled to report interim figures on Wednesday, moved up 2 to 232p. Acquisition news lifted **Cookson** 28 to 474p, while **Unilever**, due to announce third quarter figures on Monday, jumped 35 to 475p. **BTR** were 17 up at 260p, **Pilkington** rose 23 to 218p and **Reed International** 18 to 348p.

Among Television issues, **Thames** dipped to 275p prior to closing a net 14 down at 279p after revealing interim profits some £2m below estimates and also a cautious statement.

Tottenham Hotspur revived strongly and rose 20 to 128p.

A steadier US dollar together with buying interest aroused by recent brokers' circulars led to another brisk trade in **Jaguar**. The price subsequently furthered its recovery to close 20 higher for an advance so far this week of nearly 60 to 328p.Turnover yesterday amounted to 5.7m shares. **Rover** rallied 10 to 80p but Commercial Vehicle manufacturers adopted an irregular trend. **ERF** rose 13 to 148p but **Plaxtons (GB)** slipped 4 further to 121p. Motor Components featured **Kwik-Fit**, up 17½ at 170p, and **Dowty**, which recovered 12 to 157p. Distributors also rallied well with the exception of **Perry**, down 8 at 210p.

The more confident market tone brought a revival in the fortunes of **Maxwell Communications**. Early intramarket activity drew attention to the attractive yield offered by the stock and the shares raced up 20 to 248p as business broadened. Favourable views on the group's move to acquire a contolling stake in US publisher Bell & Howell also stimulated interest.

Recently depressed Properties attracted a few bargain hunters and prices were quick to respond. **Land Securities** revived with a gain of 20 at 463p and **MEPC** rose a similar amount to 436p. **British Land** picked up 15 at 238p and **Slough Estates** improved 15 to 210p. Selected secondary issues attracted buyers at the lower levels. **Helical Bar** perked up and closed 28 higher at 185p. **Dares Estates** gained 6 at 38p and **Parkdale** put on 30 to 115p.

Ailsa Investment responded to the announcement that the trust was actively considering proposals, including possible unitisation, which may result in holders being able to realise their shares at a level approaching net asset value. The shares settled 19 higher at 147p. Miscellaneous Financial issues brightened despite cautionary remarks by some sector analysts. **British & Commonwealth** rebounded 28 to 328p and **MAI** 11 to 108p. **Henderson Administration** resisted comment of an uncertain outlook for the full-year and closed 100 up at 700p. Elsewhere **Smith New Court** emerged from a spell of inactivity to end 20 dearer at 200p while **Aitken Hume** recovered 13 to 93p;the latter proposes to issue warrants to subcribe for 1m shares at 120p each.

Third quarter results from the two leading oil and gas groups - **BP and Shell Transport** - were given a good reception by a market already boosted by a firm performance by crude oil price which showed December Brent up around 15 cents to $18.10 a barrel. Shell bounded ahead prior to the figures and eventually ended the day with a ⅜ gain at £10¼. BP made progress late in the session and closed 5 harder at 256p with the new 2½ up at 79½p; turnover in the old totalled 13m, in the new 40m and in the ADRs in London 4.8m. Confirmation that **LASMO** had upped its stake in **Enterprise** to 24.72 per cent left Enterprise 3 harder at 233p while hopes that a bid from RTZ will eventually materialise lifted LASMO 22 to 245p. Bid hopes also helped **Tricentrol** edge up 5 more to 93p. **Ultramar** jumped 15 to 182p.

Traded option business expanded, the total number of contracts increasing to 32,127 comprising 23,964 calls and 8,163 puts. The **FTSE** contract attracted 1,215 calls and 1,070 puts. **BT** were active, recording 2,414 calls and 1,070 puts. **GEC** attracted 3,158 calls and only 152 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks to attract money for the call included **Beecham, Premier Consolidated Oil Fields, Storehouse, North Kalgurli, Control Securities, Dares Estates, Anglo United, Charterhall, Astra Holdings, Explaura Hldgs, Johnson and Firth Brown, Butte Mining, Southend Stadium, Camford Engineering, Rutland, Eagle Trust, Energy Capital, A and M Group, BP, Blue Arrow, Unilever, Guinness, Lasmo, Midland Bank and Wellcome.** No puts were arranged or doubles completed.

FINANCIAL TIMES STOCK INDICES

	Nov. 12	Nov. 11	Nov. 10	Nov. 9	Nov. 6	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	91.14	90.99	92.32	92.34	91.12	81.04	95.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.66	95.11	95.44	95.47	94.42	88.46	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1320.8	1290.0	1296.9	1252.0	1274.8	1255.7	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	282.6	268.6	265.5	277.6	261.6	308.5	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.65	4.78	4.97	5.00	4.86	4.39				
Earnings Yld. % (full)	11.51	11.88	12.32	12.42	12.04	10.18				
P/E Ratio (net)(*)	10.63	10.30	9.92	9.84	10.16	12.02				
SEAQ Bargains (5pm)	56,334	39,730	39,569	38,734	38,258	27,780				
Equity Turnover (£m)	-	1399.74	1,366.55	924.46	1375.80	1177.48				
Equity Bargains	-	43,892	42,132	34,261	44,756	45,236				
Shares Traded (ml)	-	653.5	713.5	456.7	643.4	479.0				

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
-	1311.7	1311.3	1324.4	1322.9	1330.7	1340.7	1329.4

Day's High 1344.9 Day's low 1288.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil-10.48.

S.E ACTIVITY

Indices	Nov.11	Nov.10
Gilt Edged Bargains	167.9	191.8
Equity Bargains	284.4	273.0
Equity Value	2829.2	2,762.1
5-Day average		
Gilt Edged Bargains	177.2	174.8
Equity Bargains	269.1	271.3
Equity Value	2561.7	2,713.2

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (2)

ELECTRICALS (1) Fan Dee Corp., OILS (1) Evergreen Resources.

NEW LOWS (26)

AMERICANS (6) CANADIANS (1) BANKS (1) BUILDINGS (2) STORES (2) ELECTRICALS (2) ENGINEERING (1) INDUSTRIALS (4) INSURANCE (1) PAPERS (2) PROPERTY (2) TEXTILES (1) TRUSTS (3) OILS (4) MINES (4)

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Nov 12 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Nov 11 Index No.	Tue Nov 10 Index No.	Mon Nov 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (213)	671.29	+4.2	10.55	4.23	11.92	19.10	644.06	618.07	626.40	679.77
2	Building Materials (30)	891.17	+4.3	10.42	4.13	11.96	22.91	854.52	805.67	825.61	827.65
3	Contracting, Construction (33)	1217.07	+3.9	10.41	4.14	12.04	31.12	1171.77	1115.39	1145.86	1163.00
4	Electricals (14)	1767.28	+3.6	10.25	4.93	12.73	62.76	1705.49	1661.76	1662.45	1754.97
5	Electronics (33)	1475.48	+2.8	11.10	3.42	11.80	35.99	1434.59	1432.07	1446.31	1482.42
6	Mechanical Engineering (60)	327.19	+4.5	11.31	4.94	11.11	11.20	313.04	296.26	301.49	375.94
8	Metals and Metal Forming (7)	378.50	+3.4	10.40	4.36	11.70	11.55	365.97	350.02	348.64	399.83
9	Motors (14)	247.45	+4.8	12.29	4.40	9.46	7.31	236.19	224.05	223.31	258.17
10	Other Industrial Materials (22)	1178.73	+6.0	8.84	4.40	13.45	37.16	1111.09	1051.78	1058.99	1241.37
21	CONSUMER GROUP (183)	993.86	+3.5	8.43	3.56	15.06	21.28	960.50	920.80	919.77	941.51
22	Brewers and Distillers (21)	922.64	+2.5	10.88	4.02	11.61	17.53	899.89	878.41	877.37	970.00
25	Food Manufacturing (23)	787.60	+3.3	9.41	3.96	13.73	17.48	762.50	733.40	726.65	724.83
26	Food Retailing (17)	1999.87	+3.3	7.45	2.98	17.87	40.31	1935.16	1868.85	1864.23	1874.39
27	Health and Household Products (10)	1768.41	+6.0	6.47	2.51	17.85	27.95	1668.57	1590.82	1596.95	1517.72
29	Leisure (30)	1030.93	+3.2	7.84	4.42	15.94	28.40	998.49	949.46	963.87	965.47
31	Packaging & Paper (16)	460.91	+5.0	9.04	3.91	14.56	11.22	439.14	427.56	441.72	474.12
32	Publishing & Printing (15)	3170.49	+6.0	6.87	4.40	18.39	95.15	2992.42	2849.39	2896.13	2685.46
34	Stores (35)	852.89	+1.4	8.57	3.47	15.73	18.97	841.22	807.85	796.28	890.94
35	Textiles (16)	577.89	+3.5	10.89	3.99	10.62	15.15	558.58	519.92	528.94	543.79
40	OTHER GROUPS (87)	831.68	+4.5	10.48	4.28	11.89	20.80	795.95	759.10	762.28	799.52
41	Agencies (17)	980.12	+4.1	6.37	2.31	20.60	16.91	941.21	876.89	895.85	0.0
42	Chemicals (21)	1010.22	+3.4	9.87	4.62	12.37	33.18	976.82	920.61	943.85	985.58
43	Conglomerates (13)	1096.13	+5.8	9.38	4.27	12.20	22.33	1036.36	975.19	998.37	0.0
45	Shipping and Transport (11)	1661.74	+2.6	10.24	4.95	12.80	51.44	1618.84	1543.55	1535.32	1574.08
47	Telephone Networks (2)	900.40	+5.0	11.26	4.49	11.85	18.98	857.74	847.13	827.08	780.38
48	Miscellaneous (23)	1166.32	+4.7	12.87	4.04	9.26	33.20	1113.84	1039.40	1059.25	1126.53
49	INDUSTRIAL GROUP (483)	873.65	+3.9	9.51	3.92	13.23	21.08	840.55	804.87	808.02	843.98
51	Oil & Gas (17)	1629.80	+2.9	10.20	6.04	12.10	65.74	1583.49	1545.18	1526.51	1450.93
59	500 SHARE INDEX (500)	937.74	+3.8	9.62	4.24	13.05	24.93	903.35	867.65	868.93	893.37
61	FINANCIAL GROUP (120)	613.95	+3.7	–	5.08	–	20.62	591.80	565.33	567.01	685.42
62	Banks (8)	627.95	+2.1	21.24	6.20	6.22	25.90	615.22	580.95	586.66	655.07
65	Insurance (Life) (8)	922.16	+6.3	–	4.99	–	32.56	867.63	838.54	821.55	846.27
66	Insurance (Composite) (7)	492.85	+1.8	–	5.59	–	18.69	[illegible]	[illegible]	[illegible]	[illegible]
67	Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68	Merchant Banks (11)	327.73	+2.4	–	4.30	–	8.69	320.12	312.09	331.19	351.28
69	Property (49)	904.20	+5.4	5.37	3.31	23.97	16.77	858.16	826.07	829.64	799.15
70	Other Financial (29)	381.76	+6.8	9.46	4.23	13.38	11.27	357.35	341.44	349.93	352.85
71	Investment Trusts (88)	778.72	+3.4	–	3.20	–	15.94	753.20	726.15	756.11	832.98
81	Mining Finance (2)	391.40	+11.0	11.61	4.36	9.70	12.77	352.66	336.91	344.15	344.93
91	Overseas Traders (10)	871.26	+4.3	10.49	5.60	11.16	36.40	835.54	806.88	834.34	775.27
99	ALL-SHARE INDEX (720)	849.35	+3.9	–	4.34	–	23.48	817.83	784.81	787.64	815.86

	Index No.	Day's Change	Day's High	Day's Low	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5	Year ago
FT-SE 100 SHARE INDEX ♦	1702.5	+63.2	1723.6	1648.5	1639.3	1573.5	1565.2	1600.0	1638.0	1644.6

FIXED INTEREST

	PRICE INDICES	Thu Nov 12	Day's change %	Wed Nov 11	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	124.12	–0.05	124.18	–	10.03
2	5-15 years	143.06	–0.08	143.18	–	12.14
3	Over 15 years	151.41		151.40	–	12.41
4	Irredeemables	169.26	+0.25	168.85	–	13.35
5	All stocks	139.15	–0.05	139.22	–	11.56
	Index-Linked					
6	5 years	124.69	–0.19	124.93	–	2.18
7	Over 5 years	114.84	–0.42	115.33	–	2.89
8	All stocks	115.49	–0.40	115.96	–	2.82
9	Debentures & Loans	120.45	+0.84	119.44	–	9.94
10	Preference	84.19	–0.64	84.73	–	5.74

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 12	Wed Nov 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.32	8.39	9.92
2	Coupons	15 years	9.03	8.99	10.67
3		25 years	8.95	8.96	0.697
4	Medium	5 years	8.99	8.96	11.47
5	Coupons	15 years	9.22	9.22	11.03
6		25 years	9.15	9.17	10.64
7	High	5 years	9.84	9.82	11.54
8	Coupons	15 years	9.34	9.33	11.21
9		25 years	9.16	9.17	10.71
10	Irredeemables†		8.76	8.77	10.42
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.51	2.43	4.24
12	Inflation rate 5%	Over 5 yrs.	3.96	3.94	3.95
13	Inflation rate 10%	5yrs.	2.72	2.64	2.89
14	Inflation rate 10%	Over 5 yrs.	4.01	3.98	3.79
15	Debs &	5 years	10.53	10.75	11.71
16	Loans	15 years	10.51	10.67	11.70
17		25 years	10.51	10.67	11.70
18	Preference†		10.78	10.71	11.56

♦Opening index 1648.5; 10 am 1676.0; 11 am 1678.3; Noon 1697.5; 1 pm 1694.6; 2 pm 1700.9; 3 pm 1717.8; 3.30 pm 1707.6; 4 pm 1701.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		CALLS Jan.	CALLS Apr.	CALLS Jly.	PUTS Jan.	PUTS Apr.	PUTS Jly.
Allied Lyons (*340)	300	55	70	75	15	[illegible]	[illegible]
	330	35	48	57	25	[illegible]	[illegible]
	360	20	38	45	40	[illegible]	[illegible]
Brit. Airways (*146)	130	28	37	38	10	[illegible]	[illegible]
	140	22	30	35	13	[illegible]	[illegible]
	160	11	20	27	25	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 12. Total Contracts 32,127. Calls 23,964. Puts 8,163. FT-SE Index Calls 1,215 Puts 1,070. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's
ASDA-MFI	15,000
Allied-Lyons	2,900
Amstrad	2,100
[illegible]	[illegible]
Bond	2,400
Burmah Oil	1,200
Burton	5,600
Cable & Wire	8,100
Cadbury Schwps	3,000
Coats Viyella	1,300
Comm. Union	5,000
Cons. Gold	1,100
Cookson	450
Country & New.T	0
Courtaulds	2,400
Dalgety	194
Dee Corpn	5,600
Dixons Group	3,500

Stock	Volume 000's
English China Clays	873
Enterprise Oil	73
Fisons	6,900
[illegible]	[illegible]
LASMO	2,400
Laporte	2,200
Lucas	1,200
MEPC	518
Marks & Spencer	6,100
Maxwell Comms.	7,700
Metal Box	1,900
Midland Bank	1,800
NatWest Bank	1,700
Next	3,800
Northern Foods	996
Pearson	1,100
Pearl Assurance	671
P & O	322
Pilkington Bros	8,750

Stock	Volume 000's
Plessey	4,800
Prudential	1,000
Racal	9,200
[illegible]	[illegible]
Storehouse	4,900
Sun Alliance	452
T & N	1,400
TSB	7,500
Tarmac	1,300
Tesco	5,100
Thorn EMI	3,300
Trafalgar House	4,900
Trusthouse Forte	4,100
Ultramar	2,400
Unilever	1,400
United Biscuits	1,000
Wellcome	4,800
Whitbread A	1,300
Woolworth	1,600

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	68	41	5
Corporations, Dominion and Foreign Bonds	14	0	40
Industrials	962	168	432
Financial and Properties	390	44	193
Oils	74	9	28
Plantations	2	1	11
Mines	107	30	60
Others	150	38	74
Totals	1,767	331	843

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987 High	1987 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§41	F.P.	-	96	61	♦Amer.Plast.Inc. $0.01	66	+1	N025c	4.6	2.3	9.1
175	F.P.	6/11	240	160	Anglo Leasing 10p	175	+5	12.5	4.2	2.0	12.3
-	F.P.	23/10	27	16	Atlantic Assets Wrrnts.	14		-	-	-	-
‡105	F.P.	6/11	160	73	‡Baynes Homes 10p	83	+8	R2.4	2.9	4.4	9.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

November 12	Price Sch %	+ or −
[illegible]		

BELGIUM/LUXEMBOURG

November 12	Price Frs.	+ or −
[illegible]		

DENMARK

November 12	Price Kr %	+ or −
[illegible]		

FINLAND

November 12	Price Mks	+ or −
[illegible]		

FRANCE

November 12	Price Frs.	+ or −
[illegible]		

GERMANY

November 12	Price Dm.	+ or −
[illegible]		

ITALY

November 12	Price Lire	+ or −
[illegible]		

NETHERLANDS

November 12	Price Fls	+ or −
[illegible]		

NORWAY

November 12	Price Kroner	+ or −
[illegible]		

SPAIN

November 12	Price Pts %	+ or −
[illegible]		

SWEDEN

November 12	Price Kronor	+ or −
[illegible]		

SWITZERLAND

November 12	Price Frs.	+ or −
[illegible]		

AUSTRALIA

November 12	Price Aust.$	+ or −
[illegible]		

AUSTRALIA (Continued)

November 12	Price Aust.$	+ or −
[illegible]		

HONG KONG

November 12	Price H.K.$	+ or −
[illegible]		

JAPAN

November 12	Price Yen	+ or −
[illegible]		

JAPAN (Continued)

November 12	Price Yen	+ or −
[illegible]		

SINGAPORE

November 12	Price $	+ or −
[illegible]		

SOUTH AFRICA

November 12	Price Rand	+ or −
[illegible]		

NOTES — [illegible]

CANADA

WE REGRET that Canadian closing prices were not available for this edition due to computer problems.

TORONTO

Prices at 2.30pm November 12

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL

Closing prices November 12

Sales	Stock	High	Low	Close	Chng
[illegible]					

Indices

NEW YORK

[illegible]						

STANDARD AND POORS

[illegible]						

N.Y.S.E. ALL COMMON

[illegible]						

TORONTO

[illegible]						

AUSTRALIA [illegible]						
AUSTRIA [illegible]						
BELGIUM [illegible]						
DENMARK [illegible]						
FINLAND [illegible]						
FRANCE [illegible]						
GERMANY [illegible]						
HONG KONG [illegible]						
ITALY [illegible]						
JAPAN [illegible]						
NETHERLANDS [illegible]						
NORWAY [illegible]						
SINGAPORE [illegible]						
SOUTH AFRICA [illegible]						
SPAIN [illegible]						
SWEDEN [illegible]						
SWITZERLAND [illegible]						
WORLD [illegible]						

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Con Ed NY	5,311,400	[illegible]	[illegible]
Pan Am	1,999,800	[illegible]	[illegible]
AT&T	1,895,200	[illegible]	[illegible]
Chase	[illegible]	[illegible]	[illegible]
Unisys	[illegible]	[illegible]	[illegible]
BP (part-paid)	1,683,900	[illegible]	[illegible]
General Electric	1,485,900	[illegible]	[illegible]
Exxon	1,349,000	[illegible]	[illegible]
Eastman Kodak	1,288,000	[illegible]	[illegible]
IBM	[illegible]	[illegible]	[illegible]

TOKYO — Most Active Stocks

Thursday, November 12, 1987

	Stocks Traded	Closing Prices	Change on Day
[illegible]	21.56m	1,290	+70
[illegible]	21.11m	412	+11
[illegible]	11.33m	319	+4
[illegible]	8.85m	322	+4
[illegible]	8.43m	1,160	+60
Matsushita Elect Ind	9.30m	2,890	+130
NEC	6.95m	1,918	+110
Toshiba	5.53m	853	+23
Japan Line	4.19m	235	+18
Mitsui E and S	3.84m	278	+7

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES:		
Beecham	450	+20
Benlox Hldgs	56	+18
Blue Circle Inds.	353	+17
Brit & Comm	328	+28
Bunzl	182	+10
Camford Eng	142	+34
Costain Group	250	+16
Glaxo	£11	+⅝
ICI	£10⅝	+⅝
Jaguar	328	+20
Kwik-Fit Hldgs	170	+17½
LASMO	245	+22
London Intl	254	+20
MAI	108	+11
Maxwell Comms	248	+20
Pilkington	218	+23
Polly Peck Intl	287	+29
Ratcliffe Inds	138	+33
Smith Nw Crt	200	+20
Storehouse	259	+17
TI Group	258	+25
Triplex Lloyd	144	+22
Ultramar	182	+15
Vickers	154	+17
WCRS Group	205	+22
FALLS:		
Tr 2½% IL 2020	£91½	−½
Thames TV	279	−14

OVER-THE-COUNTER

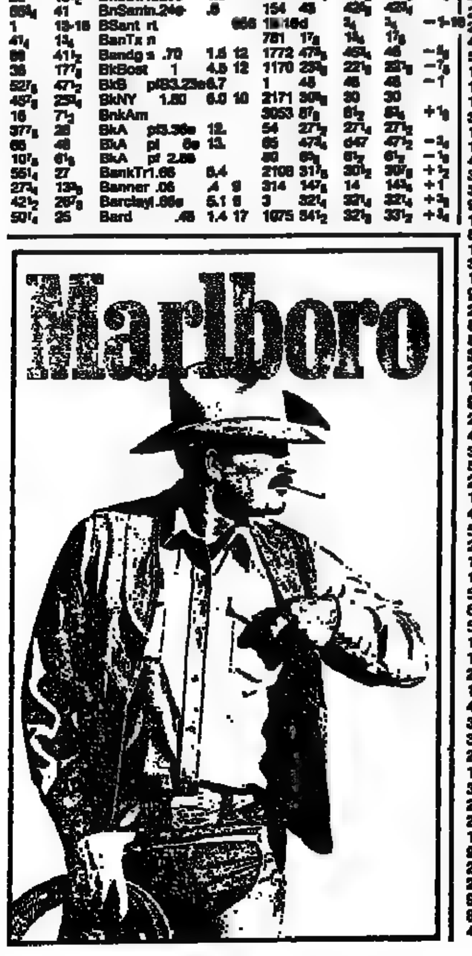
Nasdaq national market, closing prices

Continued from Page 47

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR s	.36	2.0	17	675	18¼	17⅝	17⅞	+⅛
32½	17½	AFG s	.16	.6	9	778	25⅝	25¼	25⅝	+1
27	10½	AGS s			13	382	14⅞	14¼	14⅝	+½
9⅝	3¼	AM Intl			42	769	4⅞	4⅝	4⅝	
65½	29½	AMR			10	6498	34¾	33¼	34½	+2
12¼	6⅝	ARX s			7	298	7⅛	6⅝	6⅞	−⅛
73½	34½	ASA	2a	4.5		x798	45	43⅛	44⅞	+2¼
22⅝	9½	AVX			17	499	14¼	13¼	13⅝	
67	40	AbtLab	1	2.0	19	3516	49⅝	48⅝	48⅞	+1⅛
28	15⅝	Abitibi g				20	17⅛	16⅞	17⅛	+¼
19¾	9	AcmeC	.40	3.9	11	58	10⅝	10⅛	10⅝	+¼
10½	6⅝	AcmeE	.32b	4.5	25	52	7⅛	7	7⅛	−¼
23¼	16½	AdaEx	3.30e	18.		119	18½	18	18½	+⅝
18½	7¾	AdmM s	.24	2.5	7	47	9⅞	8¾	9⅝	−⅛
35	14⅝	AdvSys			17	341	26¾	25¾	26½	+1
24⅞	9½	AMD				5852	11¼	10¼	10¾	+½
56¾	30½	AMD pf	3	9.7		338	31½	31	31	+¼
11⅞	4¾	Adobe				1516	5⅛	4⅞	5⅛	+¼
20½	15⅝	Adob pf	1.84	11.		33	17¼	16⅝	17	+¼
21⅞	17	Adob pf	2.40	12.		3	20	20	20	+¼
15	6⅛	Advest	.12a	1.5	6	377	8⅛	8	8	−⅛
66¼	46	AetnLf	2.76	5.5	7	2984	51⅝	49¾	50	−½
63½	30⅝	AfilPb s	.32	.7	7	640	46¾	46½	46	+1¼
26⅞	15	Ahmans	.88	5.4	7	6418	16¼	15¼	16¼	+⅞
5⅝	1¾	Aileen				376	3	2⅝	2½	−¾
53⅞	28	AirPrd	1	2.7	13	654	38½	35¼	36½	+1¾
36	11½	AirbFrt	.60	4.7	8	342	13	12¾	12⅞	+1⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
17½	7	WyleL s	.28	2.6	23	386	11	10⅝	10⅞	+¼
30⅝	14½	Wynns	.60	3.2	15	212	19¼	19	19	
		X Y Z								
65	60	Xerox	3	5.1	13	7328	59¾	57⅞	59⅝	+3
58¼	52½	Xerox pf5.45		10.		289	54⅞	54	54⅛	−⅜
31½	19¾	XTRA	.64	2.8	19	x177	23¼	22½	23⅛	+1
28¼	19½	XTRA pf1.94		9.5		x41	20⅝	20	20½	
33⅞	16⅛	Yorkin			9	120	22⅝	22	22½	+¼
7¼	2¼	Zapata				229	3⅜	3⅛	3⅛	
37	14⅝	Zayre	.40	2.0	7	3089	20¼	19½	19⅝	+½
16⅝	9¼	Zemex	.40	4.0	9	15	10⅛	10	10⅛	+¼
33⅝	10	ZenithE				1047	14	13	13¾	+¼
13½	3⅛	ZenLab				422	4½	4	4¼	
28⅞	13½	ZenNtl	.80	5.0	8	525	16¼	15⅞	15⅞	
20⅝	11⅝	Zero	.36	2.8	13	230	13⅛	12¾	13	−½
30¾	15	Zurnin s	.68	3.6	12	175	19⅝	18⅝	18¾	
10⅝	7⅝	Zweig	.65e	7.3		683	8⅞	8½	8⅞	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 45

FINANCIAL TIMES
WORLD STOCK MARKETS

AMERICA

Stocks post solid rise on budget, trade tidings

WALL STREET

BUOYED by good news from Washington on trade and budget deficits, Wall Street stocks posted substantial gains yesterday, *writes Roderick Oram in New York.*

A lower than expected September trade deficit and hopes for an announcement of budget cuts and tax increases were encouraging signs of progress on the US's two most fundamental economic problems which helped lift the dollar and bonds as well as equities.

The Dow Jones industrial average closed up 61.01 points at 1,960.21. In the pattern of recent days prices surged early in the session and then stayed on the higher plateau for the rest of the session.

Investors were more interested in the blue chips than secondary stocks, however. So the broader market advanced more modestly. The Standard & Poor's 500 closed up 6.63 at 248.52, and the New York Stock Exchange composite index was up 3.42 at 138.88.

Trading was moderately heavy with 207m shares traded on the NYSE. Advancing stocks were outnumbering those declining by 1,315 to 370.

Takeover stocks generally edged ahead although concerns persisted about the difficulty of financing takeovers in the present market climate. Southland rose $3¼ to $57¼, Santa Fe Southern edged up $⅝ to 49⅞ but it remained well below the $63 a share it has set as a selling price to several suitors. Singer rose $⅜ to $48¾ against an offer of $50 a share from Mr Paul Bilzerian, a Florida investor. Bell and Howell fell $⅝ to $59 and CNW edged down $⅜ to $23.

Walt Disney rose $1⅞ to $53. The entertainment and theme park group extended its run of rising profits with a fourth-quarter net from continuing operations of 80 cents a share against 45 cents.

Ford Motor gained $2¾ to $74½ after it said it would buy back a further $2bn of its stock. The automotive sector was strong with GM rising $2⅝ to $60⅝ and Chrysler adding $2⅛ to $24½.

A number of retailers were boosted by higher profits for the latest period, underlying the sector's recently strong performance. Woolworth rose $2¼ to $37 and May Department Stores added $1¼ to $30 although Dillards fell $1¾ to $33.

Tiffany, the upmarket jeweller which went public at $23 a share in May, added $⅛ to $20⅛ yesterday after reporting third-quarter net profits of 36 cents a share against 17 cents a year earlier.

The parents of Royal/Dutch Shell rose on news of its 27 per cent increase in third-quarter profits. Royal Dutch Petroleum added $3⅜ to $108⅜ and Shell Transport and Trading rose $2⅛ to $71.

British Petroleum edged up $⅛ to $53½ on higher profits. Its part-paid shares added $¼ to $16¾, close to their issue price earlier this month.

Perkin Elmer added $1⅞ to $22. The company, which makes semiconductor production equipment, showed further evidence of its recovery by earning 31 cents a share *in its first quarter* against 24 cents a year earlier.

Warner Lambert put on another $⅛ to $69½. The pharmaceutical group soared on Wednesday after the test of its new anti-cholesterol drug by the Helsinki Heart Institute had turned in better results than expected.

The somewhat better than expected US trade figures gave a small fillip to foreign exchange and credit markets. The dollar rose about Y0.80, and bonds picked up about half a point. Both later gave up about half their gains. By late afternoon the Treasury's 8.75 per cent benchmark long bond was up ¼ of a point at 100⅝: yielding 8.85 per cent.

Short-term interest rates rose sharply with, for example, three-month Treasury bills jumping about 15 basis points to 5.96 per cent. The trade figures and firmer dollar encouraged some investors to move from short-term into longer-term Treasuries to lock in higher yields. Overall, though, retail investor buying was light, traders said.

The $14.08bn September trade deficit was towards the low end of economists forecasts. The data presented a mixed picture, however. On the positive side, exports rose 3.8 per cent, but on the negative side the 2.4 per cent drop in imports was almost entirely due to a smaller volume and lower price of oil imports. Economists remain cautious about predicting that the US's dismal trade performance has finally started to improve.

CANADA

HANGING ON to early gains, most Toronto share groups moved higher in moderate trade, with golds performing particularly strongly on the firmer bullion price.

Lac Minerals set the firmer tone among golds, adding C$⅜ to C$10⅜, while International Corona gained C$1⅜ to C$47. Placer Dome managed a rise of C$⅞ to C$16 and Echo Bay climbed C$1⅛ to C$23.

Forestry groups firmed, MacMillan Bloedel by C$⅜ to C$18⅜ and B.C. Forest Products by C$½ to C$15⅛. Banks also prospered, with Royal Bank making up C$½ to C$27⅜ and Toronto Dominion also C$⅜ ahead at C$24⅜.

London up strongly but caution persists

THE IMPROVEMENT in the dollar set the scene for another successful day in the London equity market yesterday, *writes Terry Byland in London.*

After a strong start, the market brushed off a bout of profit-taking to close firmly as the City accorded a favourable reception to the latest US trade figures, and to reports from Washington that the budget deficit talks were close to agreement.

Once again, the big institutional investors were buying shares in blue chip exporters, whose attractions were enhanced by the slackening of upward pressures on the pound.

While investors remain cautious over the outlook for the share market, selling enthusiasm has lessened this week as the bigger funds see share prices moving upwards in the first significant rally since Black Monday sent the market into a tailspin.

Good results from Shell, British Petroleum and BOC fuelled the confident mood. The revival of investment interest was encouraged when Trafalgar House, the property, hotel and civil engineering conglomerate, increased its stake in Costain, a UK construction group.

The FT-SE 100 Index climbed 63.2 to 1,702.5, bringing a recovery of 8.7 per cent since equities turned higher on Tuesday.

The recovery in share prices has reduced the likelihood of another early cut in UK interest rates, and Government bonds shaded lower at first, despite the generally favourable view of the US trade figures. However, bonds edged higher late in the day when gains in equities were trimmed.

"The arguments about a flight to quality are a little less strong now", commented Mr Nigel Richardson of Warburg Securities.

EUROPE

Confidence returns to Frankfurt

EXPORT-LED blue chips, already regaining lost ground as the dollar moved higher, sprung forward on expectations of better US trade figures for September. The data was released after many bourses had closed but Dutch and French share prices staged late, energetic rallies after the news broke.

FRANKFURT regained its confidence, soaring from the start and ending sharply higher on encouraging stability in the dollar.

The Commerzbank index surged 85.5 to 1,361.9 as buyers picked up bargains.

Cars posted the largest gains after recent knocks. Daimler jumped DM53.50 to DM656.50, VW gained DM15.50 to DM240.50 and BMW surged DM32 to DM452.

Blue chip Siemens rose DM16.50 to DM400.50 and AEG surged DM30 to DM212. High-tech Nixdorf jumped DM32.50 to DM563.

Prices of public authority bonds eased on profit-taking. The Bundesbank bought DM98.8m of paper after buying DM91.8m on Wednesday.

ZURICH was lifted by the dollar's recovery which pulled blue chips swiftly out of the doldrums into an ascent. The all-share Swiss index climbed 39.8, or 5 per cent, to 802.00.

Insurer Winterthur posted the way with a SFr450 gain to SFr4,525. Chemicals were strong with Sandoz soaring 17 per cent to SFr12,000 and Ciba-Geigy SFr135 higher at SFr2,630.

Among engineerings, Brown Boveri was 10 per cent firmer, rising SFr200 to SFr2,070 and Georg Fischer rose SFr40 to SFr720.

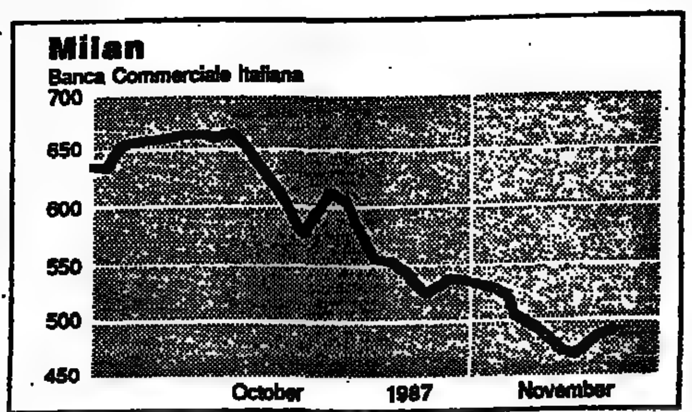
Airline Swissair rose 11 per cent or SFr90 to SFr900.

AMSTERDAM rallied late in the day after news of a lower US trade deficit which helped the all-share index index recover 4.8 to 70.3, a 20 per cent rise since Tuesday's low of 58.70.

All blue chips advanced. Royal Dutch surged Fl 12.00 to Fl 209.00 after announcing a 27 per cent rise in third quarter profits. Airline KLM climbed Fl 2.50 to Fl131.4, Unilever soared Fl 10.20 to Fl 106.70 and Philips added Fl 2.80 to Fl 32.20.

PARIS surged immediately after the release of US trade data for September as blue chips forged ahead, recovering from sharp falls at the start of the week.

The CAC index, calaculated on opening prices, shed 7.8 to 284.5 but did not reflect the sharper upswing following the release of the trade figures.



Lafarge Coppee climbed FFr144 to FFr1,125, Peugeot was up FFr141 to FFr975, Thomson-CSF rose FFr94 to FFr765 and Elf Aquitaine gained FFr28 to FFr259.

Consumer stocks gained strongly after their recent heavy falls on fears of an economic slowdown. Cosmetics company L'Oreal climbed FFr332 to FFr2,402.

BRUSSELS resumed trading after a national holiday and buyers returned to the floor encouraged by the firmer dollar and Wall Street's advance on Wednesday.

The Brussels cash market index advanced 66.14 to 3,751.48 in moderate but still nervous trading.

In chemicals, Solvay jumped 10 per cent, gaining BFr950 to BFr10,000 while blue chip oil group Petrofina, which fell BFr470 on Tuesday, climbed BFr270 to BFr9,200.

In holdings Reserve, the share of Societe Generale de Belgique, added BFr120 to BFr2,310 in heavy turnover and Sidro gained BFr95 to BFr1,755.

STOCKHOLM responded bullishly to the release of comparitively good US trade figures and rose strongly in the afternoon after a hesistant morning.

Blue chips and forestry issues, badly burned by the dollar's recent falls, rebounded. Volvo advanced SKr17 to SKr248, Aga climbed SKr7 to SKr132, Electrolux added SKr9 to SKr208 and SCA was up SKr10 at SKr235.

The central bank's decision to ease restrictions on the purchase of foreign shares by Swedes had little effect on the market.

OSLO extended its rally of the previous day, building on stronger industrials and increased buying by both foreign and domestic investors.

The all-share index rose 11.63 to 275.94 in active turnover worth NKr113.3m.

In industrials, Norsk Hydro put on NKr15 to NKr150.5, Elkem added NKr1.5 to NKr62 and Kvaerner gained NKr2.5 to NKr207.5. Norsk Data 'B' shares added NKr7 to NKr94.5.

HELSINKI moved upwards for the first time this week as growing optimism on other European bourses spilled over. The Unitas all-share index closed 2.8 per cent higher at 555.8, with industrials showing the way higher. Banks trailed as several issues maintained a lower trend.

MILAN advanced across a broad front as investors squared positions before today's settlement of options. A more cheerful mood on other European bourses also filtered through to the Milan trading floor.

Gains were trimmed in after-hours trading as still wary operators took profits after two higher sessions.

Fiat added L540 to L8,635 and Montedison rose L65 to L1,450.

Holdings were strong with IFI rallying L1,630, or 9 per cent, to L19,830 and Cir, the Benedetti family holding, up 10 per cent to L3,400, recouping some of its recent heavy losses.

MADRID was encouraged by the upturn in international equity markets which brought bargain hunters to the floor. The general index rose 3.87 to 219.95 as cut price engineerings and chemicals were snapped up.

Banks fared badly, adding to hefty losses earlier in the week and curtailing a broader advance.

Lisbon calm as price limits end

PORTUGAL's stock markets responded cautiously yesterday to the abolition of limits on share price fluctuations as the Government sought to stabilise one of Europe's most volatile markets, *writes Peter Wise in Lisbon.*

The number of rising share prices roughly matched the number of falls in mixed trading in Lisbon. Mr Alvaro Damas, President of the Lisbon Stock Exchange, said the market was adjusting well after what he called timely and adequate government intervention.

The Government this week abolished a previous 5 per cent limit on share price variations after prices had increased a massive 600 per cent over 13 months in highly speculative trading, before falling more than 35 per cent in the past month, losing Esc 800bn ($5.9bn) in value.

On Wednesday when the limit on price movements was extended for one day to 20 per cent, 55 of the 97 shares quoted in Lisbon fell, 36 of them to the new limit. Some 16 shares rose, but only four to the maximum. The Banco Totta and Acores share price index fell 12.65 per cent to 3,423.8.

Mr Miguel Cadilhe, the Finance Minister, chaired a four-hour meeting of the National Stock Exchange Council on Wednesday and said key decisions were taken which would stabilise the Lisbon and Oporto markets over the next few days.

He declined to disclose the measures, but they are thought to include details of steps announced earlier to encourage banks and insurance companies to take a greater lead in the market by abolishing restrictions on the number of shares they can hold.

Institutional investors yesterday appeared to be waiting for the dust to settle and share prices to stabilise

However, Mr Vitor Constancio, leader of the Socialist opposition and a former Governor of the Bank of Portugal, accused the Government of amateurism. He said: "Cautious management and the protection of clients' deposits means that banks should not systematically be allowed to invest large amounts in high risk operations."

Hang Seng builds on speculation of property takeover

MOUNTING speculation about a takeover bid for Hongkong Land helped the Hang Seng index climb 166 points yesterday to close at nearly 2,151, *writes Kevin Hamlyn in Hong Kong.*

The overnight advances on Wall Street and in London also buoyed local optimism. Turnover was, by recent standards, a relatively healthy HK$1.25bn, compared with HK$878m on Wednesday.

The Hongkong Land counter accounted for HK$219m, or 17.5 per cent of turnover, which was spurred by rumours that property tycoon Mr Li Ka-Shing, or other local entrepreneurs, were building a stake in the huge property company.

Analysts said the Keswick family, which controls Jardine Matheson, Hongkong Land's parent, was buying shares within a defensive strategy.

It was widely understood that the Keswicks were near to reaching an agreement on the sale of Jardine Strategic Holding's 26 per cent stake in Hongkong Land before the October 19 crash.

Analysts say that such a sale would be unacceptable to the Keswicks now that the company's value has plummeted in tandem with the market. One interested party reportedly offered HK$17 per share for JSH's stake in Hongkong Land before the crash.

Hongkong Land yesterday closed at HK$7.70, up HK$ 1.10, or 16.6 per cent on the day.

Share prices in Mr Li's group of companies were also strong yesterday, despite the fact that investors rejected the group's mammoth HK$10.33bn rights issue, Hong Kong's biggest ever, the previous day. Less than 1 per cent of the rights shares were taken up by the public.

Cheung Kong rose 35 cents to HK$6.95, Hutchison Whampoa was up 20 cents to HK$7.25 and Hongkong Electric edged forward 10 cents to HK$7.45.

Analysts nevertheless cautioned against reading too much into yesterday's strong performance. They say the outlook remains decidedly uncertain, and that the majority of investors continue to wait on the sidelines. They expect further selling whenever market strength emerges.

On other active counters yesterday, Hongkong Bank increased 20 cents to close at HK$7.00, Swire 'A' rose 80 cents to HK$13.40, Sun Hung Kai Properties added 45 cents to HK$7.85, and China Light closed at HK$17.60, up 40 cents.

ASIA

Nikkei rallies strongly on positive overseas signals

TOKYO

THE TOKYO stock market recovered sharply yesterday in reponse to overnight rises in Europe and in New York and a pause in the dollar's decline in the foreign exchange markets, *writes Stefan Wagstyl in Tokyo.*

The Nikkei average closed 509.74 up at 21,546.50, after losing 649.70 on Wednesday. However, traders said much of the dealing seemed to be carried out by the Japanese brokers on their own accounts. Volume was low, with 380m shares traded in the exchange's first section.

Japanese institutional investors continued to stay away from the market, as they have done since equity prices crashed last month. This prompted fears that the rally might prove short-lived. But some traders said turnover might recover if US trade figures due later yesterday were good.

There was no word late yesterday on the Ministry of Finance's reponse to a request made on Wednesday by leading brokers who asked for permission to ease credit limits for customers buying shares on margin. Traders said if the rally continued the request might be withdrawn, but if prices fell again the ministry could quickly intervene and ease restrictions.

Meanwhile, figures published yesterday gave fresh evidence of the cut in Japanese institutions' foreign investment in recent months. The five largest life assurance companies reduced their buying of foreign bonds by 15 per cent in the six months to September to Y845bn.

The companies, which suffered exchange losses of Y1,500bn in the last fiscal year, mainly on US investments, diversified their foreign bond investments away from the US in the last six months.

Those investment trusts and big securities companies active yesterday sought mainly high-tech stocks amid scarce selling, *adds Shigeo Nishiwaki of Jiji Press.*

High-tech issues accounted for five of the 10 most active stocks. Hitachi was the busiest stock with 21.56m shares traded and soared Y70 to Y1,200. Fujitsu added Y60 to Y1,160, Matsushita Electric Industrial rose Y130 to Y2,080 and NEC made up Y110 to Y1,910.

Other international populars also strengthened, with Sony advancing Y360 to Y4,290 and Fuji Photo Film Y100 to Y3,600.

Large-capitals firmed on small-lot professional buying: Nippon Steel, second busiest with 21.11m shares, hardened Y11 to Y412, Kawasaki Steel Y4 to Y319 and Nippon Kokan Y4 to Y322.

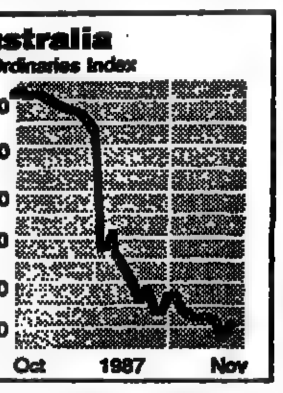
Some financials were sought by bargain hunters after steep falls the previous day. Nomura securities improved Y160 to Y3,040 and Mitsubishi Bank Y100 to Y2,600.

A segment of domestic demand-linked issues sprinted ahead, with Mitsubishi Estate gaining Y50 to Y2,010 and Tokyo Electric Power Y150 to Y6,350.

Some biotechnology-based stocks came into the spotlight after having been neglected for weeks. Mochida Pharmaceutical jumped Y160 to Y4,900 and Dainippon Pharmaceutical Y150 to Y2,690.

Elsewhere, Nippon Telegraph and Telephone (NTT) closed Y50,000 up at Y2.65m on late buying by securities houses. The price represents a Y100,000 rise from the Y2.55m selling price for the second lot of NTT shares released by the Government.

Bonds continued their slide, as many dealers were disappointed at the fact that the bank of japan bought Y100bn of certificates of deposit at a higher-than-expected 4.05 per cent. They had generally expected the central bank to buy the CDs at below 4 per cent in line with its avowed policy of guiding short-term interest rates lower.



The yield on the 5.1 per cent government bond due in June 1996 rose from the previous day's 4.820 per cent finish to 4.970 per cent on late short-covering by dealers after surging to 5.040 per cent at one stage.

On the Osaka Securities Exchange, prices rebounded strongly with buying focusing on blue-chips.

The OSE stock average surged 395.17 points to 21,845.07 on a volume of 38.36m shares, down 2.64m shares from the previous day.

AUSTRALIA

INSPIRED by a cocktail of stronger equities in New York and London and firmer copper and bullion prices, Sydney shares rebounded strongly. Financial and export-dependent issues led the advance, stoked by the return of institutional buyers.

The All Ordinaries index rose 55.1 to 1,205.1, its high for the day.

Industrials rallied, with Pacific Dunlop up 35 cents to A$3.95 and TNT up 27 cents to A$3.02. Entrepreneurial issues also regained favour, with News Corp surging A$1.20 to A$9.80, Elders IXL 27 cents to A$2.80 and Bell Group 35 cents to A$1.85.

Miners recovered, CRA adding 50 cents to A$4.60, Western Mining 45 cents to A$4.80 and MIM 23 cents to A$1.55. Golds joined the upswing as Renison added 60 cents to A$7.10 and Poseidon 35 cents to A$2.65.

National Australia Bank picked up 25 cents to A$4.35 on news of slightly higher than expected annual profits. ANZ, which reports on Monday, added 15 cents to A$4.25. The spot December share price index futures contract finished at 1,170, against the previous close of 1,085.

SINGAPORE

A SUSTAINED search for bargains combined with short-covering by investors sent Singapore share prices sharply higher in modest trade, reversing a previous two-session slide. The Straits Times industrial index closed up 21.31 at 802.14, a 2.72 per cent rise.

Confidence returned to the market following gains in overseas markets and the glimmer of a deal to cut the US budget deficit.

Quality issues underpinned the recovery. Fraser and Neave rebounded 30 cents to S$7.15, Singapore Airlines 25 cents to S$9.10 and Singapore Press 25 cents to S$6.90. Cold Storage managed a 10 cent gain to S$3.90 and Inchcape added 24 cents to S$3.08.

Banks, which have been badly hurt by the market's weakness, made modest ground. DBS marked up 20 cents to S$8.80, OCBC 25 cents to S$6.90 and OUB rose 8 cents to S$3.32. Malayan Banking climbed 6 cents to S$4.

Meanwhile, a Ministry of Trade and Industry report said effects of the stock markets crash would not have any major repercussions on Singapore's economy until late in 1988.

SOUTH AFRICA

OPTIMISM over the strong rise in bullion prices propelled Johannesburg gold stocks into a solid rebound, recovering much of their recent heavy losses.

The gold sector index showed a provisionally accounted gain of 71 to 1,577, with the overall indicator up a provisional 59 to 1,773.

Randfontein paced golds with a huge R71 ascent to R300, while fellow heavyweight Vaal Reefs was not far behind with a R50 gain to R335. Southvaal surged R11 to R141. Kloof made up R2.50 top R34.50 and Driefontein R3.50 to R70, while Harties edged R1 higher to R21.25.

Among cheaper golds, Leslie made up 20 cents to R5.30 and Kinross R1.25 to R48.75.

Platinums joined the market rally, Lydenburg adding R2 to R29 and Lefko 50 cents to R11. Diamond stock De Beers, however, held at R30.75. Palamin closed R1 higher at R28.

Leading mining financial Anglo American added R2.50 to R58, with Gencor also R2.50 to the good at R55.

SECTION III

FINANCIAL TIMES SURVEY

The Overseas Chinese Banking Corporation Centre towers above wharves along the Singapore River

Lee Kuan Yew's successors may need to place more trust in the good sense of the electorate. As they face up to demands for greater consultation, they will be only too aware, however, that this island state remains vulnerable to outside events, reports Roger Matthews

More yin and yang planned

AS LITTLE AS possible is left to chance in Singapore, and that is how Prime Minister Lee Kuan Yew believes it should be. "That's the way my colleagues and I have run Singapore: and that's the way I advise you to continue doing it," he told a respectful audience in August.

Singapore was celebrating 22 years of full independence, Mr Lee's 28 years of leadership and, as the valedictory note at the conclusion of his speech indicated, still pondering the manner, timing and direction of his departure from the premiership.

Mr Lee is one of the two best remembered facts about Singapore, the other being its size. Few speeches are made or policies explained without reference to Singapore's smallness. Read back to the early 1960s and its size (just 570 square kilometres) was frequently given as the main reason why Singapore could not hope to survive as a separate entity.

Not only has it survived but Mr Lee now describes its 2.6 million people as "bourgeois". Today they enjoy a per capita income of close to US$7,000 while the state has reserves of over US$13bn, which serve to make them and him one of the great post-colonial success stories.

Mr Lee, of course, will one day no longer be there, while no amount of land reclamation is going to make Singapore significantly larger. The Prime Minister and his eventual successor may try their hardest to leave little to chance domestically, but they are, and will be, largely powerless to influence the events *which have the greatest impact* on Singapore's evolution - those that take place beyond the island's 136 kilometre coastline.

That message was again rammed home during the last fortnight of October. Until then it had been a good year for Singapore. The economy was again growing strongly; up over 7 per cent in the first half. Company profitability was generally improving, tourist arrivals were up sharply, foreign investment was buoyant, inflation was almost zero and interest rates low.

Then, out of what had seemed a clear blue sky, came the Wall Street debacle. Singapore's sound, well-run economy offered no protection. At one moment over 40 per cent had been wiped off the capitalisation of the stock market, making it one of the heaviest losers in the world.

What made the Singapore crash worse than it might have been was that it coincided with growing fears over heightened racial tension in neighbouring Malaysia. As the initial selling began, reports came through from Kuala Lumpur of a gunman running amok and parents keeping their children home from school. When, a week later, buy*ers began to pop their heads* over the rampart, the Malaysian authorities made them dive for cover again by arresting dozens of political activists, including Chinese opposition members of parliament.

Nothing that the Singapore Government can do will be more important to its material well-being in 1988 than the capacity of President Reagan to guide the industrialised world away from the edge of recession, or the political skills of Dr Mahathir Mohamad in seeking to restore greater racial harmony in Malaysia.

Seen from Singapore, the risks involved in either man failing are probably proportionately greater the older you are. For the old guard, headed by Mr Lee who fought the battles of independence and the dual challenges of communalism and communism, the dangers may well loom large. For the young, uniformed generation doing its homework in the air conditioned comfort of Changi airport, or under the ceiling fans at McDonald's, it is probably unimaginable.

In between lies half the electorate who, while understanding what is said, have experienced *nothing* more alarming than the 1985 recession which was over almost before it began. Although Singaporeans have, in general, reacted favourably to the chance-reduced society created for them, there are indications that they would welcome a bit more risk, or at least, rather more consultation.

In the 1984 general election, the People's Action Party, which has dominated the country's political life since independence, saw its share of the popular vote drop from 75.5 per cent to 62.9 per cent. There were only two opposition MPs elected, but the sizeable shift in votes was a clear warning to the Government that it was losing its rapport with part of the population, probably the younger part.

Interestingly, it has not chosen to test public opinion again through by-elections for vacant seats. In the aftermath of the jaded 1984 victory, ministers did make a concerted effort to bring government closer to the people, to demonstrate a greater openness, and to assess reactions to policies.

They may well have been successful but the official feedback received from groups of profes*sionals suggest that they still feel* ministers have not gone far enough and remain nervous of criticising policies in their presence.

Alex Josey, in his 1971 political biography of Mr Lee, quoted a British diplomat describing him "as the most brilliant man around, albeit just a bit of a thug". It was not a disapproving comment, rather one that reflected the requirements of victory against determined communist opponents.

Mr Lee's aspiring successors would undoubtedly like to share some of those attributes, and if they cannot match the brilliance they at least have to be prepared to demonstrate tough mindedness. This they have done in the past few months, cutting their political teeth on a new generation of 22 alleged Marxists who, purportedly guided by organisations outside the country, were said to be burrowing their way into church and other organisations, preparing for the day when Mr Lee would no longer be around.

They are alleged Marxists because under the internal security act there is no requirement for the evidence against them to be tested in court. *Mr Goh Chok* Tong, Mr Lee's deputy, explained in parliament that the decision to detain them had been taken because the Government was not prepared to take chances with the lives of Singaporeans.

He said that Singapore was a small country and therefore vulnerable to security threats and to manipulation by people outside the country. The minister said he was surprised to find that the 16 initially arrested were mainly English-educated graduates from universities abroad, the university in Singapore and from polytechnics, who held good jobs.

He was concerned that the security forces should not confuse young idealists out to improve society with sinister Communists out to wreck Singapore. It was indeed the latter, said Mr Goh, and it was vital that the people of Singapore believed the Government.

"If the Government fails to convince the people of Singapore that our decision to detain them now was right, we lose our credibility," he informed parliament. "If we lose our credibility, that is the end of the younger leadership in Singapore and perhaps even of the Government. The po*litical price will be very high in*deed." Sixteen of the 22 have since been released.

A month earlier, Mr Devan Nair, a former President of Singapore and close political ally of Mr Lee, had seen the problem rather differently. In a speech at the National University of Singapore (reported in full and with some glee by the Malaysian press, but more briefly in Singapore) he said that today's political leaders were striving for the impossible.

What they wanted, he claimed, was greater support through greater control, "a flagrant contradiction in terms". If carried to its logical conclusion, Mr Devan Nair thought, it would lead to the eventual loss of both support and control.

He feared that Singapore "has now degenerated into a restless society which has lost its old assurance, in which the government of the nation has been reduced to the kind of disembodied cognitive enterprise more appropriate to an impersonal modern corporation, politics to a matter of stratagem and ambush and in which, saddest of all developments, the nervous side-glance has replaced the steady confronting gaze."

Whether those are the remarks of an embittered politician now reduced to the sidelines, or a useful if garishly painted contribution to a national debate will be something those who heard the speech may be able to assess. It is certainly not the Singapore that the present political leaders will recognise as they pursue their quest for greater excellence in all aspects of society.

Their agenda looks interesting, comprising more of the yin and the yang which Mr Lee identifies as having brought Singapore to where it is today - co-operation and competition. Greater ensured co-operation between Singapore's different races is to be achieved by introducing a system of "team MPs" which will guarantee that the Malay minority in particular will be adequately represented in parliament.

A smoother, less risky political transition may be effected with the announcement of an elected presidency containing a veto power over the spending of the nation's reserves; in other words Mr Lee leaving as little to chance as possible.

He pledged in August that he would help his party fight the next election but left open the question whether it would be as leader. The obvious successor is Mr Goh, but the increasing responsibility and exposure given to Mr Lee's son, Brigadier-General Lee Hsien Loong, the Minister for Trade and Industry, suggests that, sooner or later, he will step into his father's shoes.

Whoever it is cannot be unhappy at the inheritance. What, of course, they cannot inherit is Mr Lee's experience and the trust that people place in him. As it cannot be earned in the same way, it will have to be gained in another, perhaps by leaving a little more to chance and trusting a little more in the good sense of the electorate.

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The economy is fitter, with many weaknesses corrected

Able to turn on a sixpence

AFTER TWO decades of growth averaging nearly 10 per cent a year, Singapore will look back at the second half of the 1980s as either a period of alarming economic turbulence or as a watershed which marked the onset of retrenchment and sharply lower expectations.

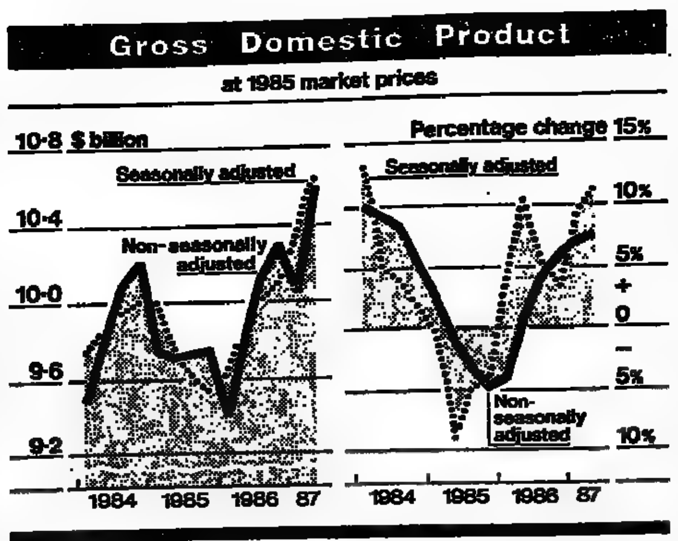
The turbulence is already well charted. From 8.4 per cent growth in 1984, real GDP contracted to minus 1.8 per cent in 1985, climbed back to 1.9 per cent in 1986 and will bounce back close to former levels this year at around 8 per cent.

Beyond that, even the bravest are unwilling to forecast. With the stock market having lost over 35 per cent of its value in the last two weeks of October and the United States perhaps hovering on the brink of recession, Singapore can do little more than watch events unfold, and hope.

However, the country is much better prepared than it might have been had not the 1985 downturn occurred. It provided the first real test for the new generation of political leaders and they came through the experience both wiser and, as the statistics demonstrate, with notable success. The Singapore economy today is leaner and fitter with many domestic structural weaknesses having been corrected and much of its international competitiveness restored. As a Merrill Lynch report noted, Singapore has shown its capacity to turn on a sixpence.

Singapore can say, with perhaps greater justification than many other countries, that its economic fundamentals are sound. The recovery from 1985 now encompasses all sectors with even construction beginning to look up, reserves have doubled to over S$26bn in the past five years, interest rates are low, inflation is almost zero, savings which are in part obligatory continue at a high level, and unemployment is down close to 4 per cent with labour shortages emerging at both the skilled and unskilled ends of the market.

The trading figures are scarcely less impressive. The Trade Development Board expects total trade for the year to rise 20 per cent to S$125bn with exports for September showing a 43.6 per cent increase over the corresponding month last year. By the end of the third quarter Singapore had exported goods to the US worth S$10.4bn, just a little less than the total figure for 1986. This 26 per cent increase in exports to the US was followed by other big increases to its smaller trading partners: Malaysia (15 per cent), the European Community (35 per cent), Japan (23 per cent) and China (25 per cent).



But Singapore's dependence on the US for 25 per cent of its total exports also makes it acutely vulnerable to a serious downturn in the American economy and very sensitive to current moves by Congress to adopt protectionist measures. Although over 40 per cent of Singapore's manufactured exports to the US are by American multinationals and the country's trade surplus last year amounted to less than 1 per cent of the overall US trade deficit, it is significant that the Singapore currency has appreciated by less than 5 per cent against the dollar over the past three years.

There is particular concern in Singapore about reports from Washington that, as part of its overall effort to reduce its trade deficit, the US may be considering depriving Singapore of its benefits under the General System of Preferences. From the middle of this year Singapore has been able to sell the US market up to S$1.6bn worth of goods a year either duty-free or at a minimal duty level. This represents an increase of about 12 per cent over two years ago and was made in recognition of Singapore's enactment of a new law on copyright and its free trade policies. Any reversal of the US position could be especially damaging if it affects the 15 additional products - mainly high technology items - which were recently included in the GSP.

There is also reason for anxiety on other fronts. Tourism has recovered strongly this year and has brought some relief to the hard-hit hotels sector. But the trend could quickly be checked if consumer spending patterns reflect the downturn in world share prices. Similarly the caution which must follow such a sudden drop could herald a decline in the demand for financial services, an area where Singapore has been growing strongly for several years.

Singapore can do little more than watch events unfold, and hope

One immediate effect will be to make the Singapore Government more cautious about amending the series of measures it took in the wake of the 1985 recession in order to stimulate economic activity. Its policy of wage restraint and the introduction of a flexible wages system today looks more than ever necessary. Pressure had been building up for several months for an easing of pay restraint and the Government had already signalled that it would not be opposed to more generous bonus payments at the end of the year. But the threat of international recession is likely to make it even more determined to ensure a closer correlation between wages, profits and productivity.

The Government has enjoyed mixed success in persuading companies to adopt a wage system that is more geared to the performance of country and company than to length of service and seniority. Several hundred companies have introduced more or less sophisticated schemes, but it has been most difficult to achieve in those sectors where the economic revival has been strongest, particularly the electrical and electronics sectors where demand for skilled labour may have outstripped supply.

The Government has also indicated that employers' contributions to the Central Provident Fund - cut from 25 to 10 per cent last year as part of the recovery package - would gradually be eased up again towards the 20 per cent level. This measure, which resulted in a 12 per cent cut in wage costs, was a key factor in helping stimulate growth and it may be that the authorities will now be reluctant to revise it until they have a clearer picture of the outlook for the industrialised economies in 1988.

Even if that picture is cloudy, Singapore can expect to remain a significant beneficiary of foreign investment, especially from Japan which will still be looking to relocate an important part of its manufacturing industry. Singapore anticipates hitting its foreign investment target of S$1.7bn for this year and this will continue to feed into the economy during much of the next 12 months.

The Government also has considerable resources should it feel the need for additional measures to stimulate growth, its main constraint being that not too much more can be added to an increasingly comprehensive infrastructure.

Before October 19, it would have been fair to predict that not only had Singapore climbed smartly out of the trough into which it had unexpectedly dropped, but that it would resume steady growth of 6-7 per cent a year. The problems which did arise would be those associated with hitting against ceilings rather than falling through floors.

But whatever resilience there is left in the world economy after the dust has settled will most certainly be reflected in Singapore. However, the island cannot be expected to buck trends. The combination of recession and protectionism would be intolerable for such a small country, offset only by its position within the Pacific Rim and its association with the apparently more resilient economies of the East.

Roger Matthews

Politics

Keeping the sampan afloat

THERE ARE, surprisingly, 20 registered political parties in Singapore.

If a great deal is heard from one of them, and virtually nothing from most of the other 19, it is because since Singapore achieved internal self government in 1959, seven general elections in succession have been won by the People's Action Party (PAP) of which Mr Lee Kuan Yew is the secretary general.

Unsurprisingly, the PAP has no intention of relaxing its grip on political power. In an uncertain world there can be few more confident predictions than an eighth victory in the next general election which, on historical precedent, should be held towards the end of next year.

What will be of interest is not so much the number of parliamentary seats won - in 1984 the PAP took 77 out of 79 - but rather the percentage of the popular vote which it secures. Despite winning 47 of the 49 contested seats last time, the PAP's share of the vote dropped by 12.6 per cent compared with the 1980 result and provoked serious concern within the ruling party that the appeal of opposition candidates was widening.

To an extent, the writing had already been on the wall when Mr J B Jeyaratnam won a famous by-election victory in the Anson constituency in 1981. He retained his seat at the next general election and the parliamentary opposition doubled with the arrival of Mr Chiam See Tong of the Singapore Democratic Party. Mr Jeyaratnam later lost his seat after being convicted of making a false declaration of his Workers' Party accounts.

But the reduction of the opposition to a solitary member again has not stilled the debate about the desirability or practicality of a more pluralistic system emerging in Singapore, even to the point where another party or coalition could seriously rival the PAP's dominance.

Mr Goh Chok Tong, the deputy secretary general of the PAP, first deputy prime minister, minister of defence, and currently the man most likely to succeed Mr Lee Kuan Yew, gave a clear indication of his party's thinking at the end of last year. "What would happen," he asked, "if we had two parties contending? I think that the population would be split down the middle. Do we contemplate a small population, a small country, facing fundamental problems, split right down the middle, supporting two viable parties? Then the two parties must contend, I think, more on the basis of doing things and not so much on opposing ideas, because if we represent opposing ideas then the country will zig-zag like the other democracies. Britain is a supertanker. She can zig-zag without capsizing. Singapore is a sampan. If we zig-zag, we would surely sink."

In order to keep the sampan of state afloat Mr Goh believes that the alternative party would have to prove to the electorate that it could manage the task better than the PAP. If it did ever succeed in doing that, he said it would be only the PAP which would lose, not Singapore itself.

There is a further qualification to the mooted success of an opposition party against which Mr Goh wishes to warn the electors. That would come through what he describes as a "freak result" to an election which might just conceivably occur because of the PAP's dedication to the longer view of what is good for Singapore and its alleged unwillingness to court short-term popularity.

But leaving "freak" results aside, the grounds on which the PAP wishes to fight the next election will be essentially that of competence. On that score, it intends to keep, if not extend, its colossal lead.

Despite its dominance, the PAP is not a populist party as understood in other democracies. It aims for quality rather than quantity. Membership is probably little more than 10,000 and joining the party is not a simple matter of signing up at a local branch meeting. Loyalty and commitment have to be proven over years, a throwback to the bitter battles and attempts at infiltration practised by the communists in the early days of the party.

The inner core of the party, the 1,000 or so cadre members, are only selected after careful assessment and final approval by the central executive committee. Their names and precise numbers are not made public, although the dedicated political student should not have too much trouble in identifying a proportion of them.

However, having reached that exalted level in the party does not mean that the next rung up the political ladder - being adopted as a parliamentary candidate - is any easier to climb. On the contrary, it becomes more difficult because in its quest for the best candidates the PAP does not limit itself to party members. Anyone who is deemed to be performing well in whatever profession may receive the call.

Mr Lee Kuan Yew is secretary general of the People's Action Party (PAP). The PAP has no intention of relaxing its grip on political power

A number of constituencies are reserved for party stalwarts, but a large proportion of the younger people at the top of the party today have had no grassroots political experience and embarked on their new career with varying degrees of apprehension.

It is accepted that this can and does cause irritation among some party workers and helps create an attitude which argues against bothering to join the party because if you are good enough the party will come to you. Whether it also contributes to a sense of alienation from political life among younger electors is something that may become clearer after the next election.

In partial recognition of this danger, the PAP last year belatedly launched a youth wing under the leadership of Brig-Gen Lee Hsien Loong. The concept of a youth wing had been talked about for some time, but as one MP put it, "there had not been a really suitable candidate to lead it". The 21 to 35-year-olds, who now make up just over half the electorate, are said by MPs to share the fundamental beliefs of their elders within the party, but youth wing discussions have thrown up the desire for a more consultative approach by the country's leadership.

"They, too, want strong, decisive government, but they need to be persuaded that the policies are correct," said a senior party member.

A far more fundamental issue within the party, and the country, has been the proposal to establish a system of team MPs. Under this scheme - which will will go ahead, although the precise details are not yet known - a number of constituencies will be grouped together for the purpose of elections and for forming the nucleus of local town councils. In each case, three constituencies will be linked together and the three MPs will stand or fall together.

The main aim, as explained today but not at the time it was first put forward, is to ensure that the country's minorities, essentially the Malays, are adequately represented in parliament. The opposition parties argue that the motivation of the PAP is to make it even more difficult for the representatives of other parties to be elected.

The successful MPs in those selected constituencies will then become responsible for adminstering town councils, which appears to mean taking over the housing development board's role in managing local housing estates. The PAP leadership says that this will give MPs valuable experience and offer another opportunity to assess those with the potential for higher office.

However, some PAP members fear that the scheme could backfire. They warn that it opens the door for the opposition to win three parliamentary seats at one go, while also giving it the chance to challenge the PAP on its chosen ground: that of showing competence in government. The extent to which the voting public is convinced of the need for team MPs will help to decide whether those warnings are justified.

The worst possible result would be for the public to remain sceptical, for this to be reflected in the overall voting figures, and for the opposition to lose its solitary voice in parliament. The sampan would still be afloat, but more of its ballast would have been lost. And that is the time when some people begin thinking of building submarines.

Roger Matthews

In foreign policy, military deterrence is very much the last refuge

Diplomacy plays a vital role

WHETHER AS an excuse, a justification or a simple explanation, Singapore's physical size intrudes into the discussion of most issues. Like most small nations, and few are smaller in land area, the issue of size becomes paramount in the wider international context.

Singapore has no strategic depth and although its armed forces would certainly make a better job of defending the island than did the British in 1941, they would probably prefer not to have to do so on their own territory. Apart from the obvious domestic components, Singapore's defence lies primarily in the skill of its diplomacy, with military deterrence very much the last refuge.

That diplomacy has also to serve more immediately Singapore's trading imperatives, regionally and globally, while bolstering its role as the services, technological and financial hub of South East Asia. Singapore needs its neighbours; whether its neighbours always feel they need Singapore may be more debatable.

Singapore's membership of the association of South East Asian Nations helps to achieve local and international aspirations. "We have no pretensions of being able to influence world events," said Mr S Dhanabalan, the Foreign Minister, in an interview. "So we work with others and first of all that means working with Asean in the international arena.

"We can influence trends, the thinking of other countries. Other Asean countries, too, find that as a group we are far more influential than if we just work on our own. We try in other organisations, whether the United Nations or the non-aligned movement, to work together with other Asean members in the first instance and then with others who are like-minded.

"One of the problems in the past has been that the moderate countries tended to go very much on their own and fight lone battles, whereas the radicals bunched together and pursued their objectives jointly. I won't say that we are as closely knit and united as the radicals, but I think that we have had considerable success in moderating the extreme positions of some of these movements."

Within Asean itself, Mr Dhanabalan emphasised that the approach to economic issues had always been very careful and conservative, and that is how it should continue. "We feel that if we are over-ambitious and embark on something that we cannot live with, then the end result will be worse than not doing anything at all."

He admitted that some members would like to go faster than others, "but at the end of the day you have to go more or less at the pace of those who want to go slow". The minister thought that December's Asean summit meeting, scheduled to be held in Manila, would produce concrete agreements on some issues but cautioned against expecting any dramatic developments.

"There will not be huge steps like a definite commitment to a common market or a free trade area by a certain date. But if we can get, for example, the preferential tariff agreement to be liberalised to a point where at least 50 per cent of Asean trade will be a fairly significant step. That is the kind of thing we are trying to work towards."

Mr Dhanabalan was also adamant that despite growing controversy in the Philippines over the future of the two large US bases, there was no question of Asean being drawn into defence or security issues. The heads of government would informally exchange views on defence and political matters but, he said, one fundamental principle that was enunciated when Asean was formed was that it was not a defence or security organisation.

The bilateral defence co-operation which existed between member states was outside the framework of Asean, he stressed. "Although the six of us belong to Asean, not all our relations with each other are conducted within Asean. It is true that we have evolved.

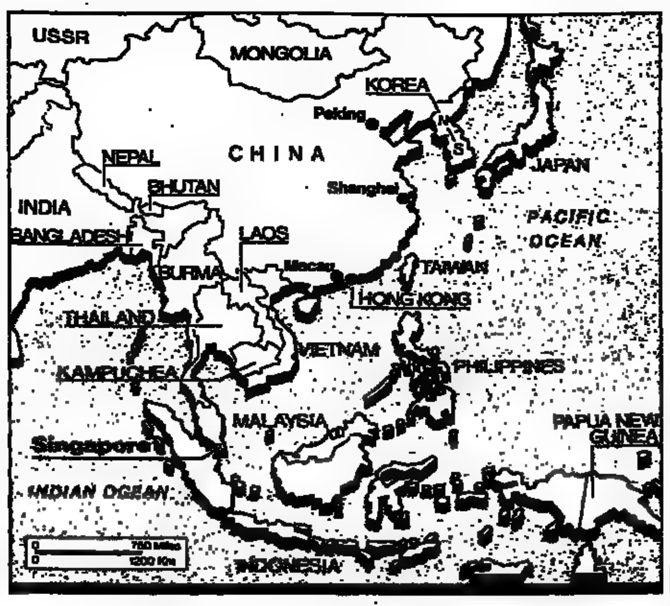
"For example, our concerns with security issues arising out of events in Indochina: those concerns have made Asean more political than we had anticipated. That is a sign of evolution. But I think where it comes to defence and security, we draw the line."

The other fundamental of Singapore's foreign policy is its relationship with the US. "We are tied to the US, Japan and Europe because of the nature of our economy and our economic interests," said Mr. Dhanabalan. "There is no doubt that in economic terms, which has a big bearing on political and relationships, we are closer to the US, and to the West. But we want to have an equable relationship with the Soviet Union, too.

"They have a role in this part of the world, although that role cannot be significant until the economic relationship changes. It is going to be a long time before they can hope to have the same kind of influence and position as the US. But they do want to play a role and we do not see any particular reason why we should keep them out."

He sensed some small change in the Soviet Union's support for Vietnam over the Cambodia issue. "There was a time when the Soviet Union was even more hardline than Vietnam on Cambodia. I would say that phase has passed.

"They keep emphasising the need for a political solution and I do not see nor have I heard them trying to defend Vietnam very strongly. They have not been critical of Vietnam and have not rejected the Vietnamese position, but there is no enthusiastic defence of Vietnam's position or its actions in Cambodia. I think that is significant."



Meanwhile, the steady development of economic and trade ties with China is continuing after what Mr Dhanabalan described as the "initial euphoria". He thought that people had now become more realistic in their expectations while at the political level, despite informal meetings between leaders of the two countries, the re-establishment of diplomatic relations would remain dependent on a lead from Indonesia.

Japan, now the leading investor in Singapore, was still very shy about asserting any political or military influence in the region, according to Mr Dhanabalan. "In spite of the fact that it has been more than 40 years since the end of the Second World War, people react completely against the idea of Japan playing any military role in this part of the world," he said.

"But for them to increase their defence expenditure to become more self-reliant is something to be encouraged because that will free American resources to be deployed elsewhere. That is something we can see coming and we are not against it."

The one area of the world which Mr Dhanabalan would like to see playing a greater role in South East Asia and Singapore is Europe, especially Britain, West Germany and France. "They should have a clear strategy and policy for their involvement in South East Asia and the Pacific. I do not think events here can be ignored. The European countries have policies on Africa, but I am not so sure that they have worked out the Pacific area."

Mr Dhanabalan declined to be drawn on the issue of political stability among the individual members of Asean but pointed out that the region was going through a generational change with all the attendant uncertainties that involved, both in terms of leadership and electorates.

"As people adjust, new generations adjust, they do not have the same memories of motives and ideals that impelled the independence generation. So I cannot disagree that there is this uncertainty. At the same time if you look at Indonesia and Malaysia, the old leadership has instilled certain fundamental approaches. The question is how strong these are and whether they will last.

"And I suppose that if you ask people looking at us from Jakarta or Kuala Lumpur they will probably say the same thing about Singapore - that there is a new generation and a new electorate, and ask how the new leadership is going to behave. The whole area is going through this kind of change."

Roger Matthews

Profile: Chiam Csee Tong

One against 77

MR CHIAM CSEE TONG does not think that one swallow makes a summer nor that his election as an MP in 1984 means that parliamentary opposition has become institutionalised in Singapore. The Member for Potong Pasir, a cheerful and apparently imperturbable teacher turned lawyer, wants above all else to show other professionals in Singapore that opposition is possible and that it can become an accepted part of parliamentary life.

"Too many people at the moment do not speak out for fear of their positions. I hope that I have helped to change that, and to show them that it can be done," he says.

"The whole trend here today is for more opposition in Parliament. That is what the people want. Our party (the Singapore Social Democratic Party) has, I think, a good name and a high rating. We are not extremists in any way. In fact, most of the criticism I get is that I am not hard-hitting enough in Parliament."

Mr Chiam argues that it is quite feasible for Singapore to have a democratic system in form as well as essence. As a city state enjoying a high level of education and one which through its use of English is "plugged into the international democratic grid," there is a natural and growing popular demand for greater involvement.

"Generally Singaporeans are a very responsible, hard-working and law-abiding people who want to get things done. The PAP tries to put all kinds of fear into the people by suggesting that we might become like Sri Lanka, or the Philippines or catch what they call the English disease. But I do not think that would be the case here."

Mr Chiam won his seat, he thinks, for two main reasons. First, he assiduously cultivated his constituency with house-to-house visits during the 18 months preceding the last election. The second reason was the unpopularity of some PAP policies.

Winning re-election may, however, prove more difficult. Mr Chiam gives credit to the PAP for reversing its most unpopular policies. "They have put a lot of things right and, of course, there are areas on which I agree with them." The Social Democrats are also convinced that the PAP will be trying its hardest to ensure that Mr Chiam is defeated, along with its other candidates.

"It is good for people to live in my constituency," laughs Mr Chiam. "It has become one of the very best served in Singapore."

As for the 77 against one in Parliament, Mr Chiam says that it is something he is getting used to. "I am learning to cope and getting the feel of it now." His learning process is something with which Singaporeans have become familiar. Since the televising of Parliament began in 1985, Mr Chiam has enjoyed an exposure much greater than many PAP members. Whether it has served him well or ill may be known next year.

Roger Matthews

Singapore fared much better than its chief rival in the East Asian time zone, Hong Kong

Clive Wolman reports on the resilient Stock Exchange of Singapore

Confidence to deal with the crash

THE ROBUSTNESS of Singapore's stockbroking and banking *community during the stock* market crash last month, which knocked 40 per cent off the average value of shares on the Stock Exchange of Singapore (SES), was a demonstration of how effectively financial controls have been reimposed and confidence rebuilt over the last two years.

It was perhaps fortunate that the Pan-Electric Industries collapse occurred two years ago. The bad debts and insolvencies would have been much more severe if the mountain of forward contracts to buy back shares and the borrowings which were collateralised on them had still been rising on October 19, and the capital backing of broking firms had remained as flimsy as it was in November 1985.

As it was, *Singapore fared* much better than its chief rival as a financial centre in the East Asian time zone, Hong Kong, which had to close its market for four days and launch a Government-sponsored rescue to save several broking firms from insolvency.

But the crash will still have far-reaching effects on the structure of the stock market and the securities industry. The embarrassments suffered by free-wheeling Hong Kong are expected to strengthen the determination of the Monetary Authority of Singapore to keep a tight grip on the regulation of financial markets.

The eagerly awaited year-end review of the new system of regulating the SES is now unlikely to give much satisfaction to the broking firms who were hoping for a relaxation of the rules. Brokers have been lobbying for amendments to the capital adequacy rules, which are based on banking regulations - and in particular *on the limitations on a* single broker holding all the stock in a placement. The personal liability of broking analysts and the Government's insistence that non-stockbrokers have a majority on the SES controlling committee are also sensitive issues.

The foreign firms, which have been hoping to increase their *stakes in brokers* beyond the current 49 per cent limit, to 70 per cent in 1989, may also face disappointment. Resentment against the foreigners has been fuelled partly by the belief that the share crash was made much worse by foreigners liquidating their holdings - and by the (limited) poaching of stockbroking employees by part-foreign-owned companies.

In fact, some foreign firms say that they would have preferred the financial crisis and the stockbrokers' difficulties to have lasted longer because that would have sustained the Government's enthusiasm for encouraging foreign ownership and expertise.

The collapse will probably slow down the Government's ambitious privatisation programme, which will more than double the size of the Singapore market. As in other countries, it will also slow down the trend towards wider share ownership. In the months before the crash, subscriptions for new issues by *the public* reached *record* levels. More than 250,000 people - nearly 10 per cent of the population - are estimated to have applied for shares in Jurong Shipyard in an issue in August that was 146 times over-subscribed and sucked in S$9.8bn. And, as in other countries, the unit trust industry, which is still in its infancy and dominated by the banks, has been *booming.*

The one likely consequence of the crash, which will benefit stockbrokers, at the expense of investors, is a further delay in the introduction of lower minimum stockbroking commissions. In an increasingly liberalised and price-competitive world, the minimum rate of one per cent commission for all deals, regardless of size, has been looking anomalous.

In particular, foreign institutional investors complained that they were among the highest in the world for larger bargains, although they were often able to avoid the charges by dealing on a net (commission-free) basis with market-makers or other institutions. There has been a rapid growth in trading outside the SES in the 15 to 20 most liquid Singapore stocks widely held by foreigners.

In some of the largest stocks such as Sime Darby and Singapore Press Holdings, brokers estimate that the turnover offmarket can be as great as the officially recorded figures. Some of that turnover is through Singapore but most of it takes place in Hong Kong, *London* and other financial centres.

The SES therefore proposed to cut the rate progressively for bargains above S$250,000, to a floor of 0.5 per cent for trades of more than S$1m. However, the *introduction* of the new scale was postponed on October 1 following the third successive postponement of a similar change by the Kuala LumpurStock Exchange (KLSE). The stock market crash, and its anticipated effect of bringing to an end the steadily rising income of stockbrokers, now makes further delay certain, particularly since the foreign investor involvement in the market has suddenly waned.

On another issue, however, that of introducing a new settlements system, the SES decided to go ahead in September without waiting for the KLSE, even though most listed companies are traded on both exchanges. The new system replaces the London-style fixed account day with a one-week rolling settlement period similar to that in New York backed up by tough provisions for the SES to buy in compulsorily any shares not delivered in time. The new system is supposed to be the first stage in a move towards a certificateless *market in which* all shares would be held in a central depositary trust, as a single nominee. This would end the need for any physical delivery of paper.

The KLSE's slowness, which may delay the full introduction of a central nominee system for jointly listed companies beyond the 1989 deadline, has heightened the tension between the two *markets.* Particularly *in* Kuala Lumpur, there is growing talk of a separation of the two exchanges.

As more than half the companies listed on SES are Malaysian, and most of the trading in those stocks is carried out through the SES, such a move would have a serious effect on Singapore brokers. However, they say that as *long as the Malaysian* government remains committed to encouraging foreign ownership of domestic shares, trading in them - and settlement - through Singapore could continue.

Trade and investment

Competitive edge from innovative thinking

SINGAPORE IS a little like nouvelle cuisine. What it lacks in size, it makes up for in imagination. Nowhere is this so well illustrated as in the trade and investment sectors which are currently recovering from the shock of the 1985 recession.

Singapore's trade is today worth three times gross domestic product. However, the latest figures show the trade deficit widening for the first time in six years. Exports rose 14 per cent to *S$27bn in the first half year,* but imports grew by 15.5 per cent to S$31bn.

The enlarged import bill followed increased demand for raw materials from domestic manufacturers, as orders picked up. It also reflected the growing cost of imports from Japan, with the appreciating yen causing a hefty 27.5 per cent jump to S$6.4bn.

On a brighter note, a relatively weak US dollar helped push Singapore's exports to the US 23 per cent to S$5.3bn. The US is Singapore's leading trading partner, taking mainly electronic and clothing products. Investment, meanwhile, continues to rise with officials confident of reaching a target this year of S$1.7bn.

Interest has come from Japanese firms, anxious to escape the high yen costs of producing at home and at the same time keen to boost sales to the US, without directly adding to the US-Japa*nese trade imbalance.*

Singapore has been helped in no small way by external factors such as the rate of the Singapore dollar, which many foreign bankers say is undervalued. This serves to make Singapore's products competitive on world markets. However, the success has also been because of policies pursued by a government adjusting *to changing world trade* conditions.

Who would have thought, for example, that Singapore would today be a net importer of sheep's wool? Yet last year Yoshikawa Oil and Fat Company of Japan invested S$100m to manufacture lanolin, a base material for cosmetics, a key ingredient of which is oil from sheep's wool.

Singapore's Trade Development Board has been just as innovative in its bid to become the region's countertrade centre, eschewing what might have seemed its out-and-out free market principles. But, as Mr David Chin of the TDB explains, "handling strange commodities like jute can put work into our factories and shipyards".

By offering tax incentives, the board is now luring the world's leading barter firms to the island. The Trade Development Board *scored another success in* winning approval as an official port of delivery for the London Metal Exchange. Trading in aluminium began in September and from January Singapore is to start handling lead, nickel and copper.

The Trade Development Board has won approval as a port of delivery for the London Metal Exchange.

Two warehouse companies, C Steinweg and Hoogewerff-CWT Services are today operating under the agreement, acting as designated delivery points for metal *bought and sold on LME con*tracts. The board confirmed three more companies are to start handling operations next year.

Singapore's advantages as a regional trading centre, with modern infrastructure and shipping links, apparently outweighed concern among some LME members that the metal market's liquidity would be affected by the increased spreading of stocks. The LME's decision was seen as vindication of the board's broader strategy.

"We see our role in international trade very much as a service." Mr Chin says: "You come in tomorrow and you don't have to wait until the road is built or there is water in the tap." More than that, Mr Chin contends that the supply of services often results in better margins than the manufacture of many low value-added products.

Singapore now plans to export some of these services under consultancy agreements whereby, for example, the island's port authority would help install and run harbour facilities as now happens in China. The Port of Singapore Authority has already won contracts in Fiji, Papua New Guinea and Mauritius.

The Government is now looking at possible light industrial developments in the Indian sub-continent. However, China remains the main target. Under *its latest five-year plan,* the Peking Government has pledged to build 400 cities. Singapore has a proven record in public housing development. In addition, in being largely *mandarin* speaking, the Government's housing and development board could well win an important slice of the contracts.

More immediately, there has been a rapid exchange of trade missions with Peking in recent months. China is now one of Singapore's 10 largest markets, with exports worth S$1.2bn last year, an increase of 70 per cent over 1985. Much of the increased demand was for TV sets and petroleum products.

China also remains Singapore's fourth largest import trading partner, after Thailand, Australia and Great Britain, with imports of S$3.1bn in 1986. On the investment side, Singapore has sunk over S$270m in hotels and manufacturing. Many of Singapore's largest property companies project that much of their future income growth will come from investments in China. All *of this will do much to offset* the slump in business activity within Asean, where economies have been hard hit by falling commodity prices.

At the same time, Asean trading partners have become less dependent on Singapore as the conduit for China. Indonesia, for example, with an ethnic Chinese population of its own, is reviving direct trade with Peking in an effort to save on scarce foreign exchange.

One result has been a renewed drive by Singapore to win investment from companies in the US and Europe which want to have a springboard into China. Competition for such investment will be intense. But, as trade and industry minister Brigadier General Lee Hsien Loong likes to put it, "Singapore won't be last on the list".

John Murray Brown

The highly-succesful Singapore International Monetary Exchange faces some threats, reports **Clive Wolman**

From a slow start, to soaring trading volumes

IN THE last six months, the Singapore International Monetary Exchange (Simex) has seen its reputation established as the most important futures market in the East Asian time zone. It has also received, however, the greatest threat to its long-term viability in its three-year history.

After a slow start, complicated by the 1985 recession and Pan Electric Industries stock market debacle, the success of Simex was confirmed by the upsurge in trading volumes during the spring. In June the number of contracts traded on the exchange reached a record 215,000, or 9,800 contracts per day, a fourfold increase over June 1986. There were further rises in September and October.

Then on October 20, the first day of the world stock market crash, the volume soared to 49,900 and has remained above 15,000 ever since. This was as a result of an upsurge in trading both in the futures contract on the Japanese Nikkei 225 stock market index and in the Eurodollar interest rate futures contract. These figures should be compared with the long-term target of 20,000 contracts per day which Simex hoped to achieve by mid-1989.

Simex's handling of trading during the worldwide stock market crash is widely considered a triumph, particularly when compared with the disruptions, insolvency threats and resignations at the rival Hong Kong futures exchange. The only administrative restrictions Simex imposed were a fairly generous 5,000 point daily limit on movements in the Nikkei 225 contract and larger margin requirements.

The increase in trading volumes has been accompanied by an influx of new members, particularly individual non-clearing members whose numbers have now risen above 300. The increased demand for trading places, which pushed up selling prices for the 450 seats to more than S$80,000, compared with an initial price in 1984 of S$50,000, induced the Simex board in July to make available another 100 seats for S$75,000 each.

Handling of trading during the crash was a triumph

The range of contracts traded on Simex is also being expanded. September saw the start of trading in Singapore's first options contract, on Eurodollar interest rate futures. In the second half of next year, a futures contract on the Singapore equity market is to be launched to bring Singapore into line with the stock index futures on the other main stock markets in the time zone: Japan, Australia, New Zealand and Hong Kong.

The one difficulty which may lead to more serious repercussions is whether the contract should cover Malaysian as well as Singaporean stocks. The issue is sensitive in view of the mounting pressure in Malaysia to end the joint listing of companies in both Kuala Lumpur and Singapore.

Discussions were also held in September with the New York Mercantile Exchange about the possibility of Simex also trading its oil futures contract. Singapore already has a substantial spot market for oil and it has good physical delivery points.

Despite these indicators of success, Simex is now confronting several dangerous competitive threats. The most fundamental is the failure of five of its seven futures contracts to achieve anything like adequate liquidity. Trading in gold futures, which predates the establishment of Simex, has slumped in 1987 to negligible volumes. Trading in the pound sterling and the Deutsche Mark has also fallen sharply, and the volume of options trading has yet to become significant.

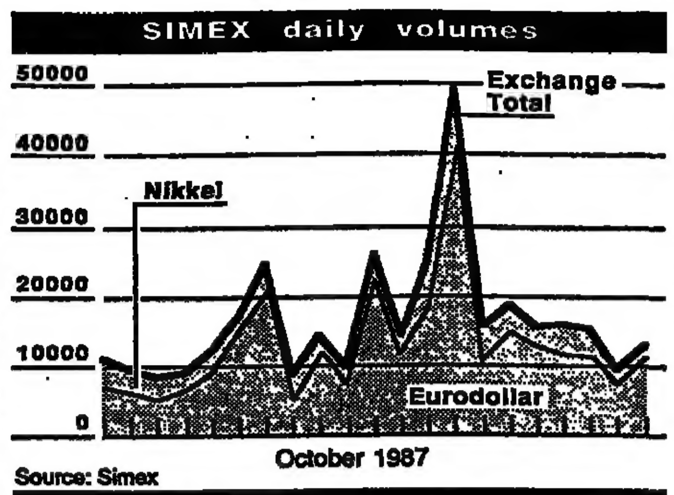
But most serious of all have been the factors behind the decline of the US Treasury Bond contract which was launched in October 1986. Initial trading volumes were respectable and Simex appeared to be getting the better of the competition with Sydney which also trades the contract.

But in April the Chicago Board of Trade (CBOT) started an evening trading session that overlapped with Simex's morning trading hours. As a result, trading in Singapore all but dried up, leaving Simex unduly dependent on the continuing success of just two contracts, the Eurodollar and the Nikkei 225. These two together account for well over 90 per cent of total trading.

The inability of Simex to hold its own against the US evening sessions is particularly worrying in view of an agreement announced in early September between the Chicago Mercantile Exchange and Reuters, the UK information group. The automated trading agreement will allow traders to deal by using their Reuter screens in the financial futures and options contracts of the CME for the 16 hours each day when there is no face-to-face dealing in the CME's pits.

The threat to Simex arises because of the close links it has with the CME, which originally helped to set it up. Simex and the CME are now operating what is the world's first international mutual offset system. This allows contracts opened in Singapore to be closed in Chicago during the Singaporean night - and vice versa.

Attempts to establish similar links between other centres, particularly between London and the US, have been frustrated by differences in settlement systems and regulatory obstacles. But the Monetary Authority of Singapore was active in smoothing over regulatory difficulties and persuading the US authorities to do likewise - and Simex has been uniquely flexible in modelling its settlement system and rules on those of the CME to permit the link-up.



Source: Simex

As a result, all the Simex contracts, except for the Nikkei 225, are also traded on the CME. About 30 per cent of Simex trading comes from users of the mutual offset system. The liquidity in the Eurodollar contract is much less than in Chicago and the dealing spreads between buying and selling prices is typically two or three ticks compared to one in New York. But Simex has carved out an important role as a junior partner.

The danger is that the 15-year Reuter agreement, which will open the CME contracts to the approximately 120,000 possessors of the Reuter Dealer Trading System terminals, will suck all the liquidity out of Singapore. Some have suggested that it could even mean the end of follow-the-sun trading in which trading books are passed around the globe daily to different exchanges.

The agreement is due to take effect in early 1989 but it is possible that technical hitches and regulatory objections posed by the CBOT will delay the date. Mrs Elizabeth Sam, chairman of Simex, and formerly employed by the UK financial conglomerate, Mercantile House, says she hopes that the Reuter system and Simex will be seen as complementary, offering different services for different needs.

"Foreign exchange money brokers have continued to thrive even though Reuter allows direct deals in foreign exchange," she says. "In any case, 60 per cent of our business by value is from this time zone which is potentially a growth market." One possibility, she says, would be for traders in the Simex pit to operate alongside the Reuter system and input prices continuously.

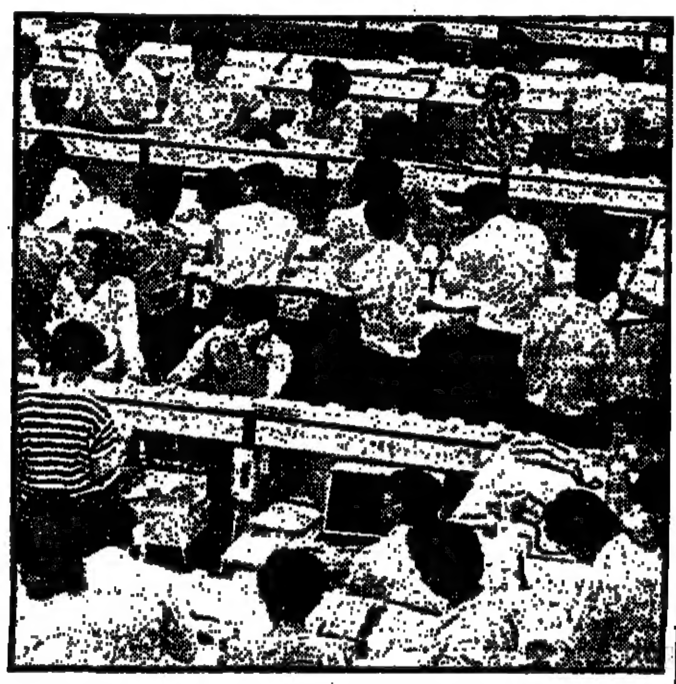
The other threat to Simex is from Japan. At present, Simex is benefiting from the Japanese regulatory set-up. On one hand, turnover in the Nikkei 225 and other contracts has been boosted by the Japanese Ministry of Finance decision in April to permit Japanese banks and other financial institutions to deal in financial futures and options markets outside Japan. On the other hand, Japanese regulations have also inhibited the setting up of domestic futures markets.

The first Japanese competitor to a Simex contract was the 50-share contract launched by the Osaka Exchange in June. But the turnover tax and requirement that the contracts be settled by the delivery of shares has dampened trading.

Next June, however, other futures contracts, in particular one on the Nikkei 225, will start trading in Japan. This is taken as one example of how the liberalisation of the Japanese financial markets could undermine one of Singapore's strongest competitive advantages.

Nevertheless, Singapore will retain some attractions. Its dealing charges are considerably lower and there is no turnover tax to pay on transactions. Traders believe that the Japanese are unlikely to attempt to compete with Singapore on price for more international business. According to Mr Michael Killian, of Chase Manhattan Futures Corporation, who is chairman of the Simex marketing committee: "The Japanese securities firms are not going to cut their commissions because they have a captive domestic market."

Mrs Sam points out that the US has several different stock index futures contracts traded in New York and Chicago and the Japanese stock market is large enough to accommodate similar diversity.


Prices are disseminated on real-time basis through a network of screens, and dealing is carried out over the telephone

Sesdaq

Bid to modernize

THE LAUNCH in February of a second-tier stock market, the Stock Exchange of Singapore Dealing and Automated Quotation (Sesdaq), was promoted as a bold initiative not only to encourage young entrepreneurial Singapore companies but also to modernize share dealing and the settlement of bargains.

In a purely technical sense, the market is a success. Instead of the traditional auction system, in which buyers and sellers are matched, a system of competitive market-makers similar to the system used in London or by the US Nasdaq market, has been introduced. Prices are disseminated on real-time basis through a network of screens, and dealing is carried out over the telephone.

There have been complaints, however, that because of the poor liquidity of the market, market-makers have lost interest and often fail to answer their telephones to investors.

The settlement procedures are much more advanced than in London, but similar to the expected method of operation in the UK of the Taurus system, due to be installed in about two years.

No share certificates are held by investors and no physical deliveries of paper are therefore required to settle a bargain. Instead, the investor holds an account with the central depositary trust which acts as a clearing house.

On settlement day, which is a week after the day on which the bargain to buy and sell shares has been struck, the central depositary makes book-entry transfers in the securities accounts of buyer and seller and posts confirmation notes to both. Investors also receive quarterly account statements.

The central depositary trust can also arrange for dividends to be paid directly into the investor's bank account and for tax vouchers, notice of meetings, annual reports and circulars to be mailed to the investor. Shares pledged as collateral can be transferred by the central depositary trust to the financial institution concerned.

The controversy over Sesdaq started two months before its launch when the Asian Wall Street Journal repeated a view held by many stockbrokers that: "The Government will use the new exchange to unload state-controlled and government-backed companies." After a dispute about the publication of a letter from the Government in the Journal, which claimed that the article implied that the Government was trying to cheat its own citizens by selling them dud companies, the Journal had its circulation cut by Government order from 5,000 to 400. Its offence was to have "engaged in the domestic politics of Singapore". As a result, a thriving industry for the photocopying of Wall Street Journals has sprung up amongst the foreign financial community in Singapore.

Any inference that the government's companies would not be worth buying would certainly be untrue. The first issue on Sesdaq, of Singapore National Printers, of which the Government was selling 37 per cent of the shares, was 118 times over-subscribed. Another Sesdaq issue, of Tonhow Industries, an electronics company, was 121 times over-subscribed.

What would be true, however, is that, without the Government, Sesdaq would have been a complete failure. As it is, only seven companies are now listed on the market, far behind the target of 20 to 30 companies. And October's stock market crash has diminished the prospects for further listings.

The Government has promoted Sesdaq both by listing its own companies on the market and by persuading other industrialists to list on Sesdaq. Singatronics, a contract manufacturer of computer products and own-branded healthcare products, originally applied for a listing on the main market but was persuaded to go to Sesdaq by the SES committee on which the Government is strongly represented. Had it not been for the sudden slump in the stock market, its flotation last month would have marked the high-point of Sesdaq's development.

The underlying obstacle confronting Sesdaq is that Singapore, with its traditional heavy reliance on foreign multinationals as a source of employment for its brightest managers, has not developed the entrepreneurial culture of some of the other fast-growing countries in East Asia. To change that requires more than a little behind-the-scenes prodding by the Government.

C.W.

The aim is to minimise regulation, though prevent failure

Banking on supervision

"I HEAR the same thing everywhere - people seem to believe that we are overregulated. I've always asked for examples and had difficulty extracting them," complained Singapore's Dr Richard Hu.

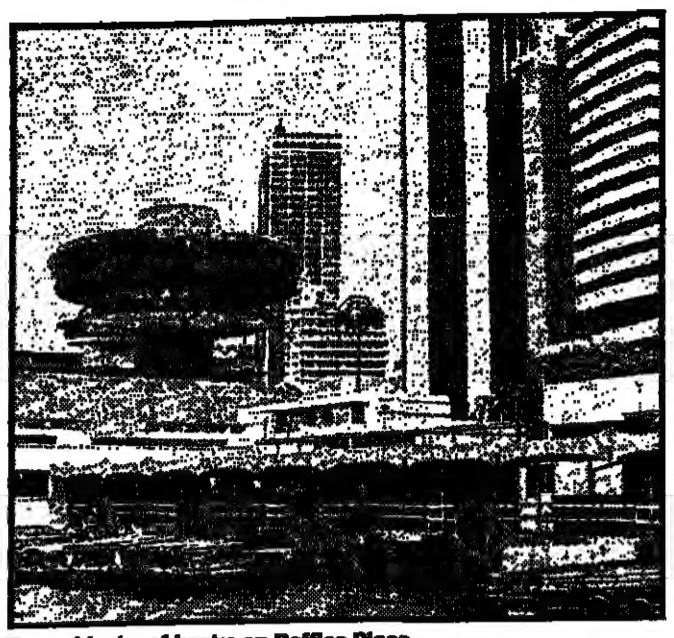
As Finance Minister and Monetary Authority of Singapore (MAS) chairman, he is rankled by the cries and whispers about his much-maligned central bank and staff, particularly his banking and financial institution director. According to Mr Hu, abuse had been heaped (undeservedly) on Singapore officials on various regulatory steps, yet other regulators were now tuning into their wavelength.

He said the impression that creating a more relaxed regulatory environment would make Singapore successful as a sophisticated international financial centre was false. "They confuse regulation with supervision, and the two words are unfortunately used almost interchangeably," he explained. "If you try and separate the two, we are very little regulated but supervised quite strictly because of the prudential problems."

Singapore wants to minimise regulation but have enough supervision to prevent bank failures. The central bank's overly tough and unfriendly image problem began several years ago and still persists. Putting a finger on its exact nature is never easy.

The minister identifies possible causes: bankers' inability to see MAS chief Joseph Pillay when desired, a lack of cosiness between regulator and banks, a less sociable banking regulator in Koh Beng Seng, and bankers' misunderstanding about the MAS's actions. Mr Hu said of Mr Pillay: "He's a very busy man. He's also managing director of the Government of Singapore Investment Corporation (managing the nation's reserves) and chairman of Singapore Airlines. It is not uncommon for senior civil servants to head many corporations to safeguard government interests."

The MAS is probably not as cosy with banks as, say, the Bank of England because it is not possible - it says it simply does not have the staff nor the establishment - to see every banker. "A lot of bankers should ask how often they get to see the Federal Reserve chairman or the Governor of the Bank of England," said the MAS chairman. However, as a matter of principle, he meets the head of every bank.



Tower blocks of banks on Raffles Place

"I've yet to come across any number one or two who has complained about our system of regulation or supervision," he said. "The heads tell me that they sleep comfortably knowing our system is well controlled and won't collapse," he added.

The thinking in the MAS is that banks' staff may feel that they cannot flex their wings as much as they would in other countries but their senior management appear happy because they would like their branches controlled effectively.

Similarly, MAS officers have to draw the line on too cosy a relationship with bankers. They have to ensure they are not getting too close to their customers because, after all, they are regulators and have to preserve a certain distance.

Where did the bad publicity spring from? "It goes back three years ago to the reorganisation of the MAS which created a lot of misunderstanding, and to the very tough action it took against (mostly foreign-based) banks for roundtripping, which hurt very badly and they may never have forgotten that," he says.

This activity, commonly practised elsewhere with impunity, was frowned on by the Singapore authorities. Nor was it forgiven, it seems, judging from the impression seemingly reinforced wherever bankers gather. There had been an exodus of certain types of bankers from Singapore to Hong Kong, attracted by the freewheeling atmosphere and proximity to China. Singapore, however, is unmoved.

"We can't compete with Hong Kong on the lack of supervision," said Mr Hu. Then he adds, with satisfaction: "They are moving in our direction. We have our standards and, as far as we are concerned, sound banking practices are more important than a booming financial system that collapses from time to time - we have no way to use public funds to bail them out."

One who has had his share of unkind comments in the past is MAS banking director Mr Koh Beng Seng. He is acknowledged to be an intelligent and hard-working regulator but he lacks bonhomie and is meticulous about writing to correct every misstatement of fact published relating to his jurisdiction.

Since taking over the banking department it was his lot to be in the forefront of unpopular actions taken in the Jardine Fleming and, more recently, Asian Wall Street Journal affairs.

Jardine Fleming, the Hong Kong-based merchant bank, had its licence withdrawn in Singapore for allegedly failing to exercise the expected professional standards in advising Keppel Shipyard on its takeover of the Straits Steamship Group. As it turned out, the government-controlled Shipyard's ill-advised investment decision resulted in a few red faces.

The Asian Wall Street Journal was continuously challenged over an article recording doubts about the Government's action regarding Sesdaq, the newly formed second-tier stockmarket.

Out of these actions came the impression of Mr Koh as rough, aggressive and unsociable, qualities which his superiors cannot deny. Mr Hu in his defence said: "Mr Koh Beng Seng, who is the key person in banking, is not as sociable perhaps as bankers would like him to be, but that's his nature. He's not that type and you can't transform him. He's not the backslapping sort, he's very serious." Perhaps they find him different from his predecessor, who was smoother.

"Michael Wong, (a former MAS managing director) of course, had a much more open relationship with banks. He's a different personality. Joe (Pillay) is more conservative, less effusive, but then people are different," said Mr Hu.

Mr Hu may have to be resigned to the perceptions that MAS is not as friendly as it ought to be. It is an uphill battle. But he weighed the pros and cons. There has not been a banking failure in Singapore nor has it had to bail out any privately-owned bank.

As for the abuse suffered for unpopular measures, Mr Hu cited the pioneering use of external auditors by the MAS to check on the banks, and the fact that many countries are thinking about writing such moves into their control system as well. Still, there are wistful hopes.

"I would deeply love somebody who is tough, good, effusive and sociable. Can you produce a person like that?" asked Mr Hu, who is rated as a skilled PR practitioner. Perhaps they need look no further than their own doorstep. What about someone like Richard Hu?

Joyce Quek

Manufacturing

Foreign investments leap

ON A TRIP to Europe last year to drum up support for Singapore's manufacturing sector, first deputy prime minister and minister of defence Mr Goh Chok Tong, was frankly surprised by the reception laid on in one particular city.

Invited by the Amsterdam chamber of commerce to address its members, Mr Goh was less than happy when instead he was subjected to a lecture on why Singapore's businessmen should put their money in the Netherlands.

As if that were not enough, on returning to his hotel room on the bed he found a tie from the Dutch commission for foreign investment. Mr Goh, in his own words, "didn't know whether to laugh or cry". Worldwide competition for investment is just one of the problems facing Singapore's growing industrial sector, which, while naturally constrained by a land and labour shortage, none the less remains a vital part of the economy.

Much of the activity has been in electronics manufacture

Recovering well from the 1985 recession, when Singapore experienced negative growth for the first time in 20 years, the island's manufacturing industries had been encouraged by renewed external demand. The sector, which accounts for more than 50 per cent of the country's export earnings, has benefited in particular from the continuing appreciation of the Japanese yen.

Many of Japan's leading multinationals have set up operations on the island, from where they make use of Singapore's modern infrastructure and support services, and at the same time avoid the high cost of production at home. Much of the economic activity has been in electronics manufacture, mainly industrial and consumer electricals and component production.

Electronic exports in the first six months were up 37.8 per cent over the same period in 1986, after a turnaround in computer sales in the US, which still accounts for over half of all the country's domestic exports. Lower operating costs have been a major factor in an industry which, with more than 70,000 workers, is the largest of any in the manufacturing sector. Companies report lower levels of stock in finished goods.

More telling was the Government's decision to reduce contributions by employers to the central provident fund (CPF) which works like a state-run insurance scheme. Combined with a cut in corporate tax rates from 40 to 33 per cent, and property tax rebates granted to industrial and commercial lessees, these measures together brought an effective 12 per cent reduction in business costs.

Singapore's move from the sweatshop to the technology high rise has not been without hiccups however. Officials now rather breezily talk of the "quantum leap" into the age of disk drives and VDUs. But the Government's high wage policy of the early 1980s - a time when consumer demand in many western economies was already contracting - is today seen as being in part responsible for sending a number of companies to the wall.

The subsequent programme of wage restraint to regain export competitiveness, one of the key proposals of the 1986 economic committee's report, is now under pressure in manufacturing industries like electronics where there is a severe skilled labour shortage. The problem can only get worse as the flow of multinationals investing in Singapore continues.

The Government is setting its investment target at S$1.7bn this year, most of which is expected to come from foreign, not local, manufacturers. Indeed, hardly a month goes past without news of the arrival of another of the leading names in semi-conductors and wafer fabrication.

In the second quarter, foreign investments showed a staggering 83 per cent increase over the same period last year, to S$249m. Last year Apple, the US computer manufacturer, shifted a large portion of its operation to Singapore. Sony, Philips and NEC Corporation of Japan have all since increased their presence.

In perhaps the most significant move of the last 12 months, Aiwa, the Japanese consumer electronics company, closed down its factory in Japan, switching production and assembly to a new plant in Singapore's Jurong industrial estate. The move is already paying off. Aiwa reported in September it may break even this year, turning round a loss after the first six months of S$10m, on an annual production turnover of about S$300m.

As more Japanese companies relocate to Singapore they should be able to get more parts locally. Aiwa, for example, is 53 per cent owned by Sony Corporation. The Government would also like businesses to re-export to Japan, through buyback arrangements with parent companies, in an effort to stem what has been the dramatic rise in Singapore's trade deficit with Japan.

Another area currently under consideration is the establishment of joint ventures between local Singapore companies and smaller Japanese manufacturers which might otherwise find the cost of relocation too steep. Singapore is already the world's largest producer of disk drives.

What is more, for the first time the electronics sector now outstrips the oil refinery industry, which in the 1970s dominated the economy. The oil sector today continues to be depressed. Demand for rigs has fallen, with just one built in 1986, compared with 18 in 1981. However, ship repair activity offers some solace, with many Japanese vessels preferring to dock in Singapore rather than incur the high costs of repair in Japan.

The recovery has also been spurred by increased business from Iranian tankers caught in the Gulf conflict which come to Singapore to be patched up. Notwithstanding such windfalls, officials predict growth in manufacturing will slow down, while the increase in local capital spending continues - a sure sign of confidence - but the galloping pace of foreign investment is likely to ease off. One reason is labour shortage.

According to officials, of the 35,000 new job entrants this year, there were 900 engineers, 5,000 technicians and 9,200 skilled workers. Yet many foreign companies still complain. Furthermore, as the construction sector picks up, the pressure on property prices will increase. Today some businesses are already housed in "flatted factories". Some unkindly say this looks like a revival of the sweatshop.

John Murray Brown

Roger Matthews reports on the latest education experiment

Schools try independence

THERE IS little escape in Singapore from the restless exhortations of a Government determined to maximise the potential of its single most important resource - its people. From such peripheral activities as smoking, to such fundamental ones as procreation, the Government has a campaign and a slogan. In few other areas, however, is the need for success so great and the price of failure more costly than in education.

Dr Tony Tan, the Minister of Education, believes that one of the strengths of the present education system is that it has not been subjected to a great number of changes and has remained fairly faithful to the basics. Change is something which should be introduced gradually and cautiously, he believes, and in a fast-changing world it is not possible to anticipate what precisely will be the educational requirements for young people at the turn of the century.

"I do not think we should go lightly into educational innovation until we have thought the matter out fully and be sure that, as best we can, we are confident that these innovations are for the benefit of the children," he said recently.

The Government, having previously burned its fingers on the issue of giving educational priority to the children of graduate mothers, is therefore approaching its latest innovative idea - the introduction of independent schools - with caution. The theme "towards excellence in schools" may not be controversial but parents could need further persuasion that the best way of reaching that goal is by providing the opportunity for some of the country's schools to become independent institutions.

The Prime Minister has admitted his dismay at discovering that 65-70 per cent of parents considered independent schools to be elitist, a taboo word. During his speech at this year's National Day rally, Mr Lee pointed out that "excellence should also be a taboo phrase because it was abstract and bourgeois." But, he went on, "80 per cent of Singaporeans now are bourgeois and they said that this (independent schools) is bourgeois. They don't know that this is for them."

Dr Tan emphasises that the plan for independent schools in Singapore is essentially a pilot project "to see how greater flexibility in school administration can enhance educational performance and effectiveness."

'No financial restraints on talented children.'

The scheme is based in large part on recommendations put forward by 12 principals from leading local schools. They were funded by the Government to visit and evaluate the achievements of independent schools in Britain and the US. Since they were impressed by what they saw, three schools are now drawing up plans to become independent. But a fourth, the venerable Raffles institution, has decided against participation.

Unlike independent schools in many other countries, those in Singapore will continue to be funded by the Government, each receiving a per capita grant equal to the cost of educating a secondary school child in the state system. In addition, the Government will match, dollar for dollar, money raised by the schools up to a total of S$1m. "We have told the three schools for the first few years to concentrate on education and not worry about the financial side," says Dr Tan.

The schools will be allowed to charge fees, which will be low in the initial years, but Dr Tan stresses that there will be no financial restraints on talented children from less well-off families gaining entry to the schools. "Merit will be the criteria for entry," he says.

The main independence for the schools will rest in their freedom to select their own boards of governors, principals and teachers and to develop 'greater flexibility in the curriculum while conforming to the basics of the national education policy. A key aim will be to reduce the pupil-teacher ratio.

Mr Lee has recalled that when studying in Britain he was taught Roman Law on a one-to-one basis and that was the way, he said, in which the Royal Family had its children educated.

Although such a goal is obviously not generally attainable, Mr Lee and Dr Tan have both emphasised the need to find a way to attract and keep top-quality people in the teaching profession. According to Mr Lee, there is no better way of ensuring a spread of talent in the country than through the price mechanism which is freely bargained between employer and employee. Independent schools, he believes, will be the yardsticks for others, both educationally and in terms of teachers' salaries.

However, not all teachers are happy with the proposals. Some are openly apprehensive that in the independent schools their security of tenure will rest solely with the board of governors. This has been recognised by the Government, which is to allow teachers to take unpaid leave for up to three years when they join an independent school. During those three years they can at any time opt to return to the state system without any loss of normal salary increments. The scheme is to run for five years in order to allow the independents to build up their teaching staff.

Other teachers argue that, if the independent schools work as the Government intends, they will inevitably cream off the brightest and the best in both staff and pupils, thereby reducing the quality of schools remaining in the state sector. "The education system here is not so large and diverse that the impact of three of our main boys' schools going independent will not quickly be felt elsewhere," says one teacher. "It will add yet another element of competitiveness into what some parents feel is an already very competitive system."

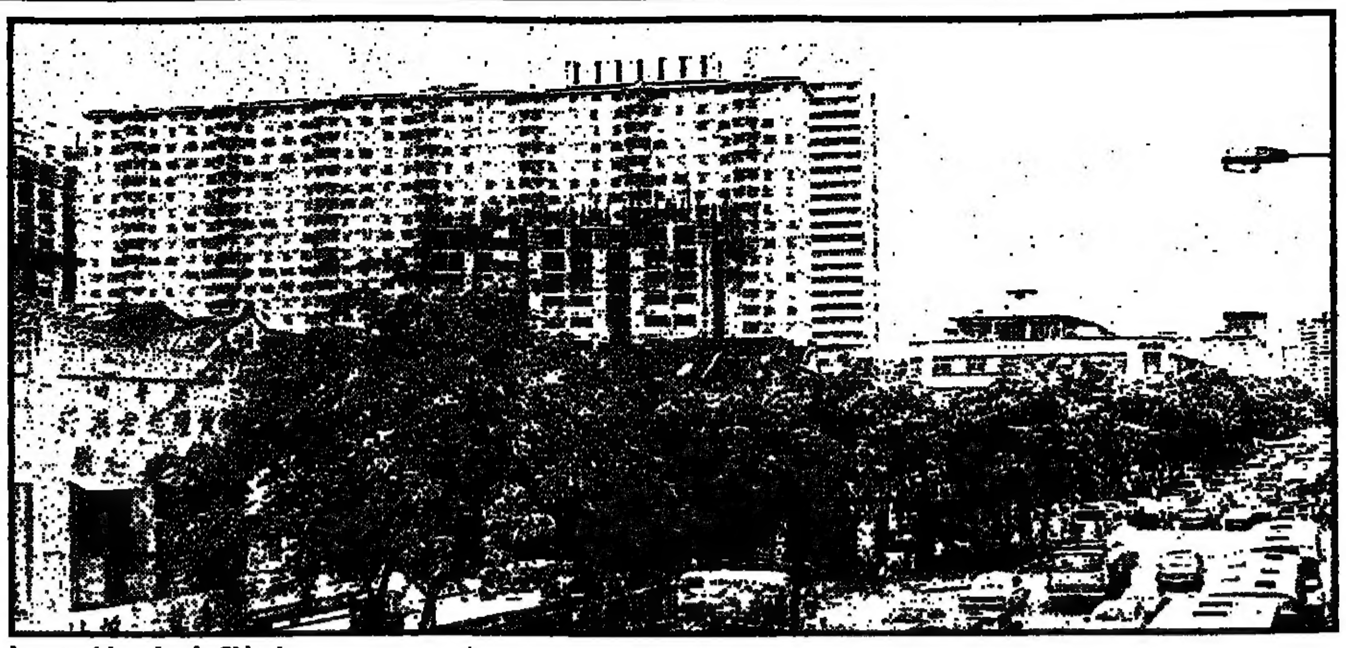
Dr Tan is anticipating trouble. He argues that better-paid teachers in the independent schools will set markers for the entire profession. "If the salaries paid in the independent schools are those which are needed to attract good teachers, whether from Singapore or overseas, then this is the salary we should pay the other good teachers in the state schools," he says.

"There will be a hue and cry and this will be probably picked up by the teachers' union. There will be a lot of trouble for the Government. I think that parents will demand that their children at other schools should not be put at a disadvantage. This will force the Government to ensure that teachers are reasonably well paid."

Dr Tan believes that sometimes governments have to force themselves to take action. "The advent of independent schools will make the job of the education minister much more difficult because parents will be able to see that pupils at the independent schools are getting a superior education. They will ask why their child at a government school should not be educated to the same level. It will be up to the Government then to make sure that the unhappiness of the parents is alleviated, whether by paying the teachers more or by enabling those schools to compete with the independents.

"It is going to be much more troublesome for the Government. There will be more problems. But the final benefit is that we will have a much better education system."

Roger Matthews



Low cost housing in Chinatown

Housing

A most house-proud nation

EXHUMING GRAVES, draining swampland and removing squatters. Despite appearances,these are not the stage directions for some futuristic thriller but rather the more mundane chores of Singapore's Housing and Development Board, an organisation which continues to play a decisive role in the social and political evolution of this tiny island state.

Set up by the Government as a statutory body in 1960, with wide ranging powers over land acquisition, town planning, building and the management of urban fixed investments, the HDB has since turned Singapore into one of the world's most house-proud nations. The achievement of the HDB cannot be understated. The board has now provided housing for 87 per cent of Singapore's 2.6m population.

More than three out of every four Singaporeans today own or rent HDB flats, with the trend towards house ownership. In 1986 alone, 30,575 flats were sold under the home ownership scheme. Since the scheme was started in 1964, over 400,000 apartments have been sold off to the public.

The direct impact of the HDB on the economy has not been inconsiderable either. Finance for the board has consistently been one of the Government's largest budgetary outlays, accounting for about 30 per cent of the total in any one year.

According to the latest published accounts for 1985-86, the Government's subsidy to HDB was alone worth S$1.17bn. Official figures also show that building and construction constituted nearly 46 per cent of the gross fixed capital formation between 1960 and 1983, of which 20 per cent was from work on dwelling units.

This has not only meant a growth in the number of factories manufacturing building materials, such as steel, cement plywood and bricks. The very survival of the construction has been largely dependent on the HDB, which is on course, regardless, to build 20 new towns and house every Singaporean by 1990.

As could be expected, changes to the landscape have been just as dramatic, with a proliferation of high rise concrete buildings which might have fallen straight off the drawing board of Corbusier, the architect whose new towns in post-war France continue to arouse so much controversy.

Singapore's equally grand designs are more often compared today with policies pursued by Mrs Thatcher's Conservative government in the UK, where the sale of state-owned council houses has not only won over large sections of the electorate but even some parts of the Labour opposition into the bargain.

The comparison is, however, less than exact. More than 25 years ago Singapore set out with ambitions which, if anything, were socialist in complexion - the emphasis being on eradicating poverty and distributing wealth to the poorer sections of society.

At the end of British colonial rule in 1959 there were an estimated quarter of a million people living in urban slums, and another 300,000 in squatter accomodation. It was then calculated that private sector builders could only realistically be expected to reach a target of 40,000 units during the years 1960-1970 - a period when the Government estimated that around 150,000 dwellings were needed just to relieve the overcrowding in central Singapore.

Housing poverty still exists mainly in one roomed flats and in some older dilapidated shophouses. In cases of resettlement there has also been some social dislocation and, what is often more damaging, the loss of cottage industries. For all that, housing policy is today widely acknowledged as one of the Government's successes, and a pillar of its administration.

An important result of the policy, officials would claim, is that Singapore has none of the racial tension which on more than one occasion has broken out in neighbouring Malaysia. The HDB helps to further integration between different ethnic groups - Chinese, Indian and Malay - by developing housing schemes which divide on the basis of income not race. A middle income Chinese can, in theory, find himself living next door to an Indian executive, though whether this happens in practice is another thing.

"All the problems you see in Malaysia and even in the UK you wont find here," says one British property surveyor, keenly watching the effects of the HDB scheme on private sector demand. Here market growth, which has recently picked up, stems from a government decision allowing house purchases in the private sector to be funded from the Central Provident Fund, the state run insurance scheme for both employees and employers.

Formerly the CPF had been used only to help HDB housing. The change in the system was aimed at helping those in public housing who wanted to improve their lot by purchasing privately, often at a sizeable premium over the prices realised under HDB sales.

Some could well argue that the country's yuppies are now reaping the benefits of a policy first devised for the sake of the poorest income families. In today's meritocratic Singapore such charges fall on deaf ears.

John Murray Brown

Women

Growing out of the Singapore girl image

DURING THE past 25 years, a slow, subtle change has taken place in the lifestyles of Singapore women. From their traditional roles as housewives and mothers, they are now emerging into the realms of business, finance, the once male-dominated field of engineering, and even politics.

Women make up nearly half the labour force. Indeed, the modern Singapore woman has come a long way compared with her sisters of previous generations. She has emerged as a successful career woman, juggling a factory job or an executive post with running a home and a family.

"Women in Singapore enjoy equal opportunities in education, jobs and other important areas," says Mrs Yu-foo Yee Shoon, vice president of the national Trade Union Congress and Member of Parliament for Yuhua. She stresses that, in some fields, women may be better educated than their male counterparts.

To take one example, Mrs Laura Hwang is often described by bankers these days as one who has everything - both beauty and brains. Mrs Hwang, now in her mid thirties, is the only woman *chief executive officer* in the international management team of the Canadian-owned Royal Trust group and, in Singapore, Royal Trust's Singapore growth fund - the bank's unit trust arm.

Mrs Hwang believes her life is a matter of priorities and balancing the demands of the bank, her employees, her family and her own needs. "But the list of priorities *must never be rigid*, and you must be flexible enough to move around."

In 1983, Mr Lee Kuan Yew, the Prime Minister, pointed out two aspects of the cultural and social transition which are taking place in Singapore. One is that well-educated parents are having fewer babies than the less educated. The other is that many Singaporean graduate women remain single because their male counterparts prefer to marry less-educated women.

Several factors have contributed to the problem. A young executive pointed out that the younger generation has been brought up in a society caught up in the materialism and contraception mentality, which regards children generally as a hindrance to career advancement. It is therefore not surprising to find younger people placing material achievement ahead of family concerns and regarding his or her own interests as supreme.

"After studying all these years to get a good education, and putting in so much effort to build a career, it is unlikely that a woman will throw it all aside to have children," said a recent female graduate.

Others seem to think that it is the lack of opportunities to meet members of the opposite sex, or "missing the boat" while in hot pursuit of a career.

Despite the emerging problems, the government wants yet more women in the work force, but says this must be balanced with their traditional role of having children and raising families. Brigadier-General Lee Hsien Loong, the Trade and Industry and second Defence Minister (Services), believes it is possible.

"We want women in the work force, but we have got to balance that with wanting women also to fulfil a traditional role - and I think it's an honourable one - of having children, bringing up the family, looking after the children while the men are out at work," he said.

The first deputy Prime Minister Goh Chok Thong suggested at a recent People's Action Party youth wing convention that women should be given a greater *role in politics. At the moment*, there are only three women MPs in Singapore compared with 75 men. "We can easily do with two or three more," said Mr Goh.

But is all this placing too many demands on Singapore's women? One lady executive in her mid-twenties agreed. "Women are everything to everyone, and there is a price to pay - stress. Somewhere, something has to be given up," she said.

The general consensus is that the woman seems to be always the one to sacrifice. "I could have been a surgeon or a professor, but when I had to make the decision at that time, I have no regrets in the choice I made," said Dr Chua Li Eng, President of the Singapore Council of Women's Organisation (SCWO).

Out to lunch in the business district. But 'work must be balanced with their traditional role'.

Despite the demands of her medical profession and those in the SCWO, Dr Chua has nonetheless raised a family, but only, she says, because of the support she gets from her parents and her husband.

Given this support, career women in Singapore are keen on marriage and having a family. The government, too, is giving its support, both real and verbal. "Let all doors be opened to women and let them decide for themselves what they want," said Mrs Yu-foo. She hopes to see more women participate in the Singapore community. Various incentives such as tax rebates, more quality child care centres, encouragement of part-time or flexi-time employment and many others have been introduced, all to encourage working women to *have more children*.

Mrs Yu-foo is also trying to propose a programme for "latchkey" children who have no one to look after them when they return from schools. With more women of the calibre and drive of Mrs Yu-foo and Mrs Hwang, perhaps the Singapore woman will one day be seen in her own right and will not always be confused with the glamorous image presented by the "Singapore girl" - the beautifully-clad girl serving passengers aboard Singapore Airlines, the island's national flag carrier.

Ong Li-Er

John Murray Brown looks at new ideas for promoting tourism

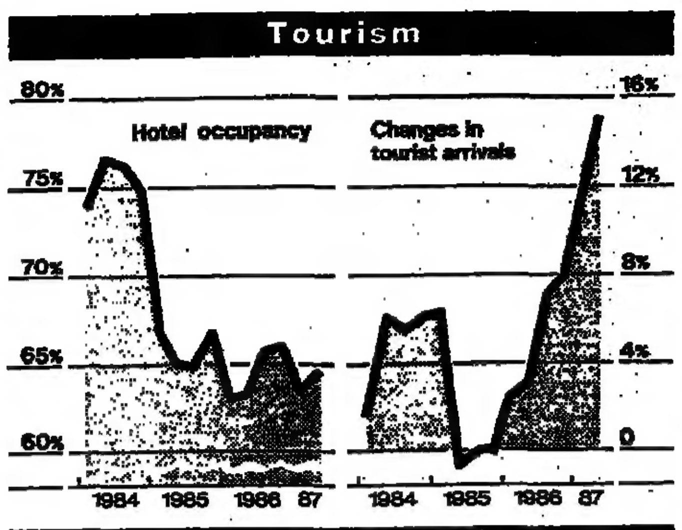
Japanese go far for golf

LONDON CABBIES are still, in some people's book, the best in the world. However, according to a local survey, the top spot is now held by the taxi drivers of Singapore.

That is just one of the endless list of records notched up by the Singapore authorities in their continuing bid to attract tourists to the island.

In an age when the outward bound course often seems the popular version of a holiday, the success of Singapore, with its somewhat sanitised mix of culture and commerce, is a great achievement.

In July this year the Government unveiled its latest, much boosted spending plans for tourism, which remains an important source of foreign exchange, contributing an average of 16 per cent of total earnings over the past 10 years.



Much of the S$1.43 bn is to be spent developing Sentosa, a resort area south of Singapore which is currently accessible only by cable car or ferry. Money has been earmarked for conservation of the city's older quarters, among them Chinatown and Little India, areas first allocated to the city's different ethnic groups in 1828 by Raffles.

Some in the industry, however, fear Singapore may get bogged down preserving its colonial past at a time when it is the Japanese who provide the main hope for growth in the sector.

"Anyone with money is bound to spend it," says one taxi driver. Japanese lead that particular race, buoyed by a strong yen. Indeed, many of Singapore's shops will now take payment in Japanese currency. One well-known department store displays prices only in yen on products which, though imported from Tokyo, are eagerly snatched up by the bargain-hungry.

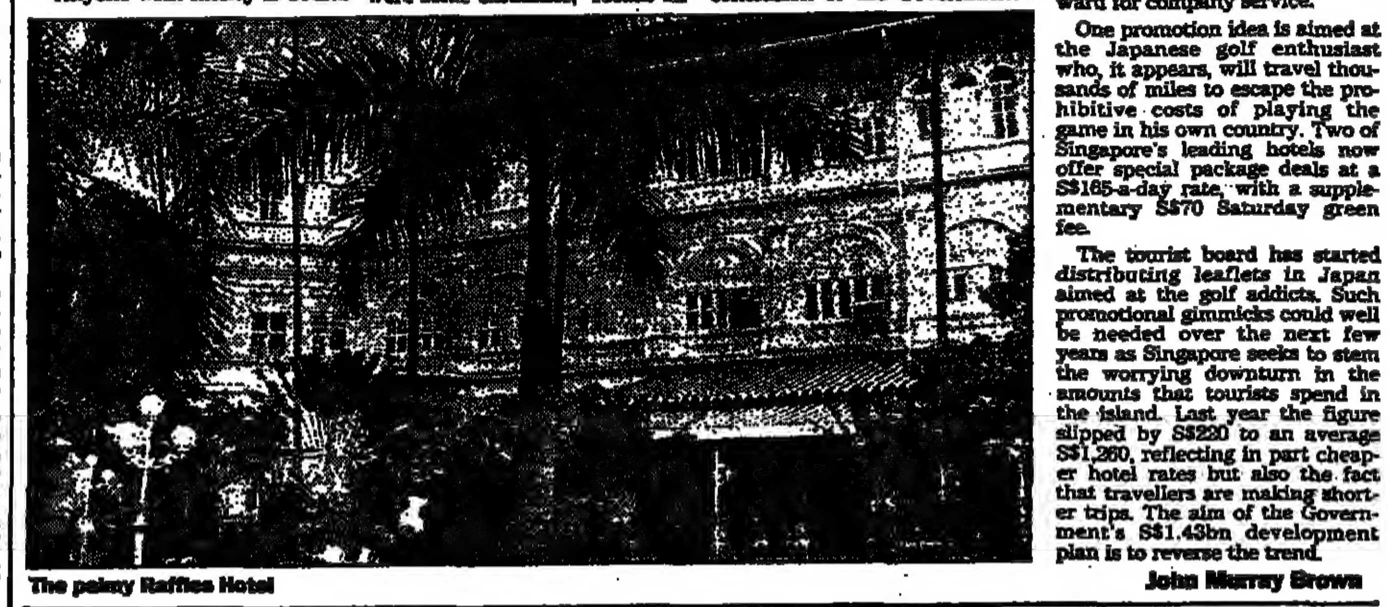
The industry today projects a brighter image than a few years ago when a hotel glut combined with the local recession to put it into temporary decline. "There were some casualties," recalls Mr Ken Hickson, director of a local firm charged with running public relations for the Singapore Tourist Board, "although we were frankly surprised how many hotels and tour operators survived while working below operating costs."

He believes the recession may prove a blessing in disguise, leading to lower hotel prices and leaving the industry leaner and more competitive. However tourism, which earned S$4.01bn last year, up from S$3.65bn in 1985, is not expected to see the growth rates of the 1970s. This was one conclusion of the Government's Economic Committee report last year, which predicted that tourist arrivals would not reach 4m before 1990, compared with 3.19m last year.

The report cited travel restrictions imposed by neighbouring countries as the main brake on increased arrivals. Indonesia, for example, raised its exit tax sixfold in November 1982, and doubled it again last year, in large part to discourage shopping excursions to Singapore. Thailand has also increased its fiscal rate and the Philippines has imposed a similar levy.

Visitors from Asean countries accounted for much of the earlier growth in Singapore's tourist industry. Arrivals from Indonesia rose from 107,000 in 1972 to 450,000 in 10 years. Over the same period Thai tourists increased from just 10,000 to over 150,000. While overall tourist traffic was up last year by 160,000 on 1985, Asean countries recorded a slight drop to just over 1m visitors.

This was further underlined by figures for the first seven months of 1987, which saw a 15 per cent rise, but with a modest Asean increase of 3.9 per cent. *This compares* with a 17 per cent increase in tourists from the US and an impressive 33 per cent boost in Japanese arrivals. Much of the renewed interest from Japan comes from the incentive traveller, who arrives on full expense account paid for as a reward for company service.



The palmy Raffles Hotel

One promotion idea is aimed at the Japanese golf enthusiast who, it appears, will travel thousands of miles to escape the prohibitive costs of playing the game in his own country. Two of Singapore's leading hotels now offer special package deals at a S$165-a-day rate, with a supplementary S$70 Saturday green fee.

The tourist board has started distributing leaflets in Japan aimed at the golf addicts. Such promotional gimmicks could well be needed over the next few years as Singapore seeks to stem the worrying downturn in the amounts that tourists spend in the island. Last year the figure slipped by S$220 to an average S$1,260, reflecting in part cheaper hotel rates but also the fact that travellers are making shorter trips. The aim of the Government's S$1.43bn development plan is to reverse the trend.

John Murray Brown

Privatisation

Divestment a success story

THE SINGAPORE Government does things in a big way. Stepping into the private sector where others feared to tread, it created some of the state's largest corporations in each business sphere - too big and possibly with conflicting interests, some say.

A review of the first anniversary of the privatisation exercise this month reveals both bouquets and brickbats. A public sector divestment committee report last February identified 99 state-owned companies to be examined for various levels of divestment. Of these, 41 were recommended for privatisation. Additionally, four statutory boards bursting with profitability were considered good candidates as well.

Having amassed a plethora of potential blue-chip companies, the process of privatising the state-owned companies is one of the most extensive in Asia. Wholesale adoption by the Government of the committee's recommendation to divest could reap almost S$6bn (US$2.8bn), roughly a sixth of the local bourse's market capitalisation.

While it favoured a robust programme, the committee was careful not to lay parameters on such a massive undertaking, suggesting instead a lengthy 10-year period of releases. Like the Singapore economic miracle, this exercise has become a success story, the stockmarket crash of 1987 notwithstanding.

The reasons for privatisation *are not new. The main objective* was the removal of the state from commercial enterprises which no longer require its aid, to broaden and deepen the local stock market, and to avoid competition with the private sector.

The exercise was born of complaints by the private sector of Big Brother's all too pervasive presence in their territory. Some leaders worry about the many who rely too much on the state to resolve problems. They see privatisation as an alternative.

Critics claim the second objective, of broadening and deepening the Singapore bourse by the flotation of state-owned companies and statutory boards, and secondary distribution of state-*owned shares, is more* enthusiastically pursued than the primarary objective.

A recent discussion among business people, bankers and academics revealed some suspicion that the aim of avoiding or reducing competition with the private sector was treated almost as an afterthought. One pointed out *that the absence of the state's* representatives in certain companies will not be missed in activities such as printing, trading, consultancy, manufacturing or cold storage.

The committee had recommended that 17 companies falling into the above categories be totally privatised. To some, the Government has not moved fast enough in this respect. For others, the state has moved far too quickly - witness the stream of companies divested in various stages since the take-off of Singapore Airlines' public listing.

The airline had made its debut at S$5 a share just after the unprecedented three-day suspen*sion of trading in* late 1985 *and* many were sceptical of its already high price soaring. Yet when it tripled within 18 months to S$15, the sky seemed to be the limit for new issues.

That seemed to signal, with the local stockmarket in a bull run fuelled by general economic rebounding, what turned out to be the start of a good thing for both divestor and divestees. By mid-1987, the Government had already divested S$600m worth of share. Granite supplier Resource Development Corporation's offering of 17.5m shares was oversubscribed 14 times, attracting S$523m. Singapore National Printers, the first candidate for Sesdaq, the second tier stock market, notched an oversubscription of 110 times which has yet to be beaten.

Sembawang Maritime's 45m share offer drew S$6.8bn, an oversubscription of 93 times. Jurong Shipyard made history when its 50m shares was 146 times subscribed, garnering S$10bn. Then came DBS Land's massive 390m share offering by *public issue locally and by invi*tation and placement in London, New York and Tokyo. For such a large offering, overseas interest was great, while local enthusiasm was evident as well.

The keen reception of such issues by overseas and local investors showed the state succeeding in enhancing the Singapore stockmarket. Until the *crash, for*eign fund managers and investors had increased their portfolio of Singapore/Malaysia shares. The 10-year divestment period is considered too long by many and it appears likely that, with good timing, the process will be hastened.

The overwhelming oversub*scriptions have put paid to* the committee's initial concern over the market's ability to absorb S$530m worth of shares a year. However, the Government has been encouraged to make it possible for the private sector to take over effectively the engine of growth.

As one businessman put it: "There *is a need* for a more consistent demonstration by the Government that the policy is not only endorsed but being pursued. The Government needs to send the right signals to private sector entrepreneurs who are interested not only in owning substantial blocks of shares but in managing them. It is difficult for the privatisation programme if it only gets to the man in the street to subscribe for shares.

"So long as companies are still run and managed by government representatives, there will always be the complaint that they enjoy favourable conditions and treatment in dealing with government entities." **Joyce Quek**